



# CONFLICT *and* COOPERATION

*in the*

# ASIA-PACIFIC REGION

*a strategic net assessment*

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<b>A2/AD</b>	Anti-access/area denial
<b>AMS</b>	Academy of Military Science
<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>APT</b>	ASEAN Plus Three
<b>ASB</b>	Air-Sea Battle
<b>ASCEL</b>	Active strategic counterattack against exterior lines
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASW</b>	Antisubmarine warfare
<b>BJP</b>	Bharatiya Janata Party
<b>BMD</b>	Ballistic missile defense
<b>C4ISR</b>	Command, control, communications, computers, intelligence, surveillance, and reconnaissance
<b>CCP</b>	Chinese Communist Party
<b>CUES</b>	Code for Unplanned Encounters at Sea
<b>DPP</b>	Democratic Progressive Party
<b>EAS</b>	East Asian Summit

<b>EEZ</b>	Exclusive economic zone
<b>FY</b>	Fiscal year
<b>GDP</b>	Gross domestic product
<b>IEA</b>	International Energy Agency
<b>ISR</b>	Intelligence, surveillance, and reconnaissance
<b>ITLOS</b>	International Tribunal for the Law of the Sea
<b>JMSDF</b>	Japan Maritime Self-Defense Force
<b>JSDF</b>	Japan Self-Defense Forces
<b>KMT</b>	Kuomintang
<b>KPA</b>	Korean People's Army
<b>LDP</b>	Liberal Democratic Party
<b>MLES</b>	Maritime law enforcement agencies
<b>NDPG</b>	National Defense Program Guidelines
<b>NKP</b>	New Komeito Party
<b>PACOM</b>	U.S. Pacific Command
<b>PLA</b>	People's Liberation Army
<b>PLAN</b>	People's Liberation Army Navy
<b>SCO</b>	Shanghai Cooperation Organization
<b>SLOC</b>	Sea lines of communication
<b>SMA</b>	Strategic Multi-Layer Assessment
<b>SSBN</b>	Nuclear-powered, ballistic missile submarine
<b>SSN</b>	Nuclear-powered attack submarine
<b>TACAIR</b>	Tactical aircraft
<b>UNCLOS</b>	United Nations Convention on the Law of the Sea
<b>WMD</b>	Weapons of mass destruction

# PREFACE

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In 2013, the Asia Program of the Carnegie Endowment for International Peace, in collaboration with several outside scholars, published a large report on the long-term future impact of Chinese military modernization on the U.S.-Japan alliance. The report, *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*, by Michael D. Swaine, Mike M. Mochizuki, Michael L. Brown, Paul S. Giarra, Douglas H. Paal, Rachel Esplin Odell, Raymond Lu, Oliver Palmer, and Xu Ren, examined a wide array of political, economic, social, and military trends influencing the evolving strategic relationship between Beijing and the alliance, presented a range of possible future security environments in Northeast Asia that could emerge out of various combinations of those factors, assessed the probability of each environment under certain conditions, and laid out several possible alliance responses.

That report generated considerable attention both inside and outside the U.S. government, eventually resulting in a request from the Pentagon's Strategic Multi-Layer Assessment (SMA) group under the J-3 (Directorate of Operations) to produce a similar report as part of a much larger effort sponsored by the U.S. Pacific Command (PACOM). Specifically, the request to Carnegie's Asia Program was to produce a strategic net assessment for the entire area of responsibility covered by PACOM (extending between India and the continental United States), over a longer time frame (the next twenty-five to thirty years), and focusing on the forces that could generate greater or lesser

security-related cooperation or conflict. Such a request reflected PACOM's clear recognition of not only the need to gain a greater understanding of the highly dynamic nature of change in the Asia-Pacific region, but also the fact that growing contention and eventual conflict—notably between the United States and China—is by no means inevitable.

This report is the result of that SMA request. As with the 2013 report, it is the product of many minds and examines those broad trends and features of the Asian security environment that will largely shape, if not determine, the prospects for continued regional peace and prosperity. Like the first report, it does not seek to predict the future, but rather to identify a range of possible futures that could emerge and the possible key drivers for each and to assess the implications of such conclusions for U.S. policy.

In contrast to the 2013 report, this report does not limit its focus to the future of the U.S.-Japan alliance in relation to a rising China. While building in part on that earlier report, it examines a wider variety of variables, including many outside the U.S.-China or U.S.-China-Japan relationship to assess the long-term strategic future of the region as a whole. Although not as detailed as the earlier report (and completed under a stricter time frame), this report nonetheless identifies and examines all the key elements of continuity and change in the Asian security environment. In addition to drawing on the knowledge of several Carnegie scholars, it uses the specific expertise of outside analysts in many fields, including Asian economics, demography, energy, Korea, Taiwan, and Asian territorial disputes.

Although other studies have attempted to assess the future of the Asia-Pacific region (for example, the Asia portion of the 2030 Report of the U.S. National Intelligence Council), few, if any, focus explicitly on the actual and potential forces driving cooperation or conflict across the region from a primarily strategic perspective. Fewer lay out in some detail the alternative types of futures that might emerge over a particularly long time frame as a result of certain developments.

Admittedly, any effort to look far into the future involves a considerable degree of “informed speculation.” This largely reflects the fact that current trends and features can evolve in a wide variety of directions over many years, as a result of varying combinations of forces that are often difficult to predict, such as economic growth, nationalism, and evolving public and elite interests; few trends and features (such as domestic instability or high levels of defense spending) or the forces driving them (economic success or failure, nationalism, established international norms) necessarily drive only conflict or cooperation among states; and many idiosyncratic or largely unpredictable or unknowable factors (such as leadership personalities and political calculations, humanitarian disasters, and internal decisionmaking processes) can exert a decisive influence over the larger security



environment, either incrementally or through sudden changes. Combining all such factors, along with more “knowable” ones (such as the effects of geographic features and long-term demographic characteristics) to create a strategic net assessment of the future is not a science. It often involves not the application of a model or formula, but subjective judgments based on knowledge and experience.

This report identifies nearly forty current and possible future trends and features of the Asian security environment that will likely influence its long-term future, in areas ranging from historical memories and leadership outlooks to structural economic and demographic factors. Significantly, the policy positions and actions of the United States itself are variables that feed into uncertainty concerning the region’s possible trends. These sets of variables involve more than a dozen types of strategic risks and opportunities for the United States and could evolve over the long term into five future security environments, from an episodic Asian Hot Wars environment involving frequent but limited conflict, to a largely cooperative, mutually beneficial and peaceful region, as well as three overlapping middle-range futures.

Perhaps unsurprisingly, the environment deemed most likely to emerge under the most probable combination of variables is some variant of the current, dynamic environment, marked by a mix of cooperative and competitive features. Such an environment is sustained by several likely enduring economic, political, and social factors. However, the report also concludes that absent a clearer determination of U.S. and Chinese long-term vital and secondary interests, the development of a genuine U.S.-China strategic dialogue (involving input from other key states), and the crafting of a series of bilateral and multilateral security assurances, this mixed environment could evolve in some extremely negative directions. In particular, these could generate more severe political-military tensions and crises and possibly eventually produce an Asian cold war environment.

Such an outcome is by no means inevitable, even in the absence of the mitigating changes mentioned, especially since the report does not argue that China will or can seek to drive the United States out of Asia or establish a largely economic-led sphere of dominant influence across the region, or a credible, alternative security architecture to the U.S.-led alliance system. But much will depend on actions in many areas taken now and over the medium term by the United States, China, and to a lesser extent Japan, South Korea, and several Southeast Asian states. For Washington, the major implications of this report suggest that selective efforts to shape, encourage, and deter behavior in a largely reactive or incremental manner (in other words, “muddling through”) on the basis of an assumption of continued American military predominance and political leadership across the region will likely prove inadequate or misplaced, especially over the long term. The United States will almost certainly need to undertake a more active effort designed to

extract the maximum benefits from a multipolar security environment involving greater levels of U.S.-China parity in many areas. This effort must commence in the near term, since some actions will require many years of sustained effort to bear fruit.

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# EXECUTIVE SUMMARY



The Asia-Pacific region is undergoing enormous change, fueled by rapid levels of economic growth and competition alongside deepening levels of regional and global integration, significant demographic and income shifts in key nations, rising nationalism, and a growing public awareness of—and assertiveness toward—many sensitive occurrences beyond national borders. These forces and others are generating a shift in the distribution and expression of economic, political, and military power across the region. In general, the region is moving away from the narrow domestic social concerns and bipolar ideological rivalries of the Cold War era, toward a far more complex security environment.

This security environment is marked by the emergence of several new power centers (notably China and, to a lesser extent, India, but also a range of dynamic smaller nations such as South Korea and Indonesia), more intense and crosscutting levels of regional cooperation and rivalry, and, in many states, an increasingly close relationship among domestic nationalism, rapid (and sometimes highly disruptive) social change, and external economic, military, and political events. Overall, these developments are intensifying certain types of interstate rivalries over issues of territorial sovereignty, resource competition, energy security, and market position and access. At the same time, they are creating incentives for cooperation in handling a growing array of common security-related problems, from climate change to pandemics, terrorism, and global financial instability.

This rapidly changing security environment poses a major and increasingly difficult challenge for the United States, the historically dominant military, political, and economic power in maritime Asia. Efforts to enhance regional cooperation, reassure allies and friends, and deter and shape potentially destabilizing behavior are demanding a more complex mixture of U.S. skills and understanding. At the same time, overall U.S. capabilities and influence in the region are diminishing in some areas, placing an even greater burden on U.S. decisionmakers to do more (and better) with relatively less.

This report examines the current and likely future long-term forces that will drive both cooperation and conflict across the Asia-Pacific region. It is part of a much larger project sponsored by the U.S. Pacific Command (PACOM), “Drivers of Conflict and Cooperation in the Asia-Pacific Region Over the Next 5–25 Years,” which comprises both classified and unclassified studies and activities undertaken by analysts at ten research institutes, universities, and consulting groups.

The analytical approach employed in this report is a “strategic net assessment,” similar to a Carnegie Endowment report published in 2013 on the long-term impact of the Chinese military on the U.S.-Japan alliance to 2030. That report identified a range of possible security environments involving the U.S.-Japan-China relationship that could emerge over the subsequent fifteen to twenty years, the possible major drivers for each environment, and the implications of that analysis for U.S. policy. The current report adopts a similar analytical approach—examining not only various military factors but also an equally important range of nonmilitary domestic and external variables likely to influence regional security behavior. In addition, it covers a wider variety of variables, over a longer time frame, and assesses the strategic future of the entire Asia-Pacific region.

This report identifies nearly forty current and possible future trends and features of the Asian security environment that will likely influence its long-term future, in areas ranging from historical memories and leadership outlooks to structural economic and demographic factors. One uncertain feature of the environment is the nature of U.S. initiatives affecting the region’s trends. According to the analysis contained in these pages, these sets of variables present more than a dozen types of strategic risks and opportunities for the United States and could evolve over the long term into five future security environments, from an episodic Asian hot war environment involving frequent but limited conflict, to a largely cooperative, mutually beneficial and peaceful region, as well as three overlapping middle-range futures.

Perhaps unsurprisingly, the environment deemed likely to emerge under the most probable combination of variables is some variant of the current, dynamic Asia-Pacific regional environment, marked by a mix of cooperative and competitive features. Such an environment is sustained by several enduring economic, political, and social factors. However, the report also concludes that this mixed environment could evolve in some

extremely negative directions over the next twenty-five years, involving more severe political-military tensions and crises that eventually produce an Asian-Pacific Cold War environment or worse. The analysis also suggests that such dire outcomes could be mitigated or avoided altogether if specific types of actions are undertaken over the short, medium, and long term. These include a clear determination of U.S. and Chinese long-term primary and secondary interests, the development of a genuine U.S.-China strategic dialogue (involving input from U.S. allies and other key states), and the crafting of a resulting series of bilateral and multilateral security assurances.

The report clearly shows that the role of U.S. policies and behavior over the next twenty-five years will prove decisive in determining whatever future security environment emerges in the Asia-Pacific region. Indeed, American initiatives, in some instances involving new or controversial undertakings, will likely prove essential in averting conflict and maximizing the chances that a cooperative and peaceful region will emerge over the long term.

## **ANALYTICAL FRAMEWORK**

Chapters 1, 2, 3, and 4 each assess one of four sets of factors that will influence the evolution of security environments in the Asia-Pacific over the next twenty-five years:

1. Domestic political and social stability
2. Defense spending and military capabilities
3. National and transnational objectives, military doctrines, and approaches to the use of force
4. Interstate bilateral and multilateral relationships

Each of the first four chapters is organized as follows:

### **Overview and Significance**

- An introductory section provides an overview of the chapter's topic and its significance.

### **Introduction of the Variables**

- The second section outlines the variables that shape the topic under consideration.

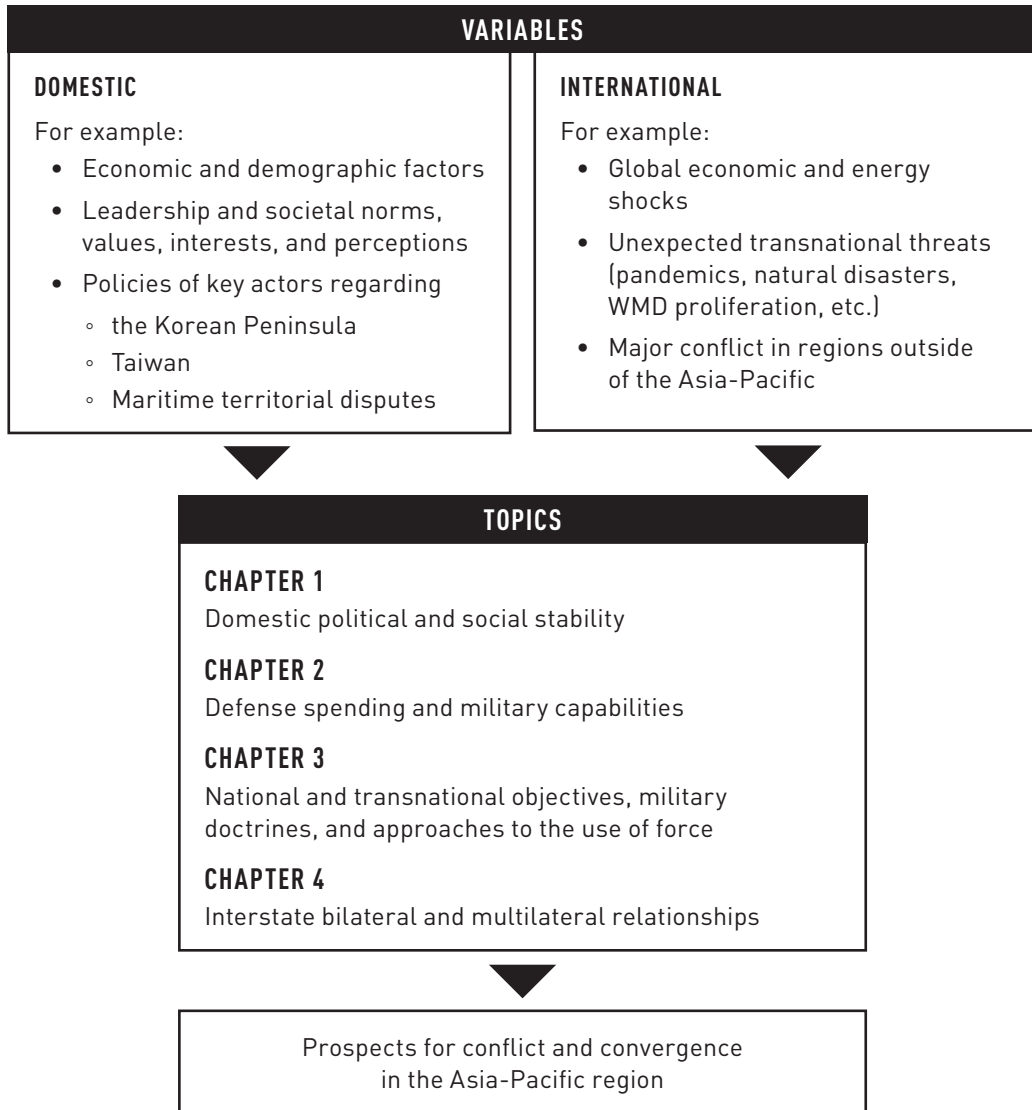
### **The Variables in the Asia-Pacific**

- The third section considers how the variables could evolve and shape the topic in the Asia-Pacific.

## Effects on Conflict and Cooperation

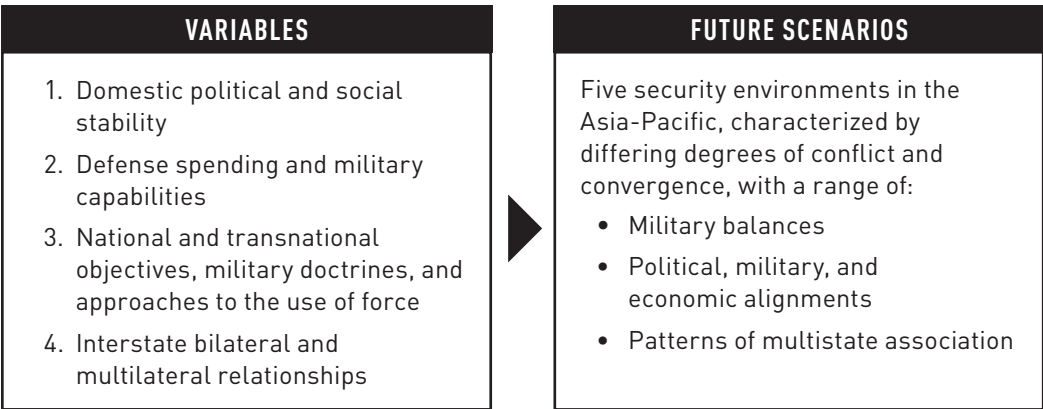
- The fourth and final section of each chapter discusses the possible effects the topic under consideration could have on conflict and cooperation outcomes in the Asia-Pacific by 2040.

**FIGURE 1.1 Analytical Framework: Chapters 1–4**



Chapter 5 combines the analysis from the preceding four chapters to identify five future security environments that could unfold in the Asia-Pacific region over the next twenty-five years. In this analysis, the topics of the first four chapters (domestic political and social stability; defense spending and military capabilities; national and transnational objectives, military doctrine, and approaches to the use of force; and interstate bilateral and multilateral relationships), and especially those trends and features identified as leaning toward regional conflict or cooperation, become independent variables under consideration. The influence of these variables on levels of strategic risk and opportunity are summarized as a prelude to a description of the five regional and global security environments.

FIGURE 1.2 Analytical Framework: Chapter 5



The concluding section, chapter 6, presents the policy implications of the analysis contained in the preceding chapters, and provides specific recommendations for PACOM.

KEY FINDINGS

Five Possible Security Environments

Five different security environments could emerge in the Asia-Pacific region over the next twenty-five years (listed in order of likelihood):

- I. **Status Quo Redux:** Constrained but ongoing economic and political competition alongside continuing cooperation in the Asia-Pacific region
- II. **Asia-Pacific Cold War:** Deepening regional bipolarization and militarization, driven by a worsening U.S.-China strategic and economic rivalry in Asia

**III. Pacific Asia-Pacific:** Increased U.S.-China and regional cooperation and tension reduction

**IV. Asian Hot Wars:** Episodic but fairly frequent military conflict in critical hot spots, emerging against a cold war backdrop as described in the Asia-Pacific Cold War scenario

**V. Challenged Region:** A region beset by social, economic, and political instability and unrest separate from U.S.-China competition

### Status Quo Redux

The Status Quo Redux security environment is characterized by constrained but ongoing economic and political competition alongside continuing cooperation in the Asia-Pacific region. Within this environment, national objectives and military doctrines in the United States and China and across the Asia-Pacific would remain development-oriented and restrained or nonconfrontational, involving continued high levels of mutually beneficial economic and political engagement and cooperation in the management of transnational issues. At the same time, major suspicions and uncertainties would remain regarding the ultimate security intentions and capabilities of Beijing and Washington toward one another, especially over the long term. This would result in continuing efforts by the United States and China, as well as other countries, to strengthen counterbalancing military capabilities or maintain hedging options. Defense spending and military capital stocks would thus continue to increase, albeit not at rates above historical levels. Consequently, although engagement in the region would still be positive-sum, the security environment would likely witness intensifying patterns of military competition and rivalry.

### CAUSAL OR SHAPING VARIABLES

For this environment to be present, the more destabilizing forms of domestic political and social unrest, including serious elite conflict and ultranationalistic pressures, would not emerge in key countries in the region, particularly China and the United States. Indeed, the absence of strong ultranationalist leadership is a vital condition for the continuation of the current mixed environment status quo. If economic growth remains high enough to avert domestic unrest and elite rifts, the likelihood of such extreme leadership shifts will remain low. Nevertheless, national leaders could provoke limited incidents or react to crises in destabilizing ways. The chances of such politically motivated provocations would increase if nationalist sentiments and overall public anxiety toward the regional and global environment continue to expand in the region. Although sustained economic growth would help prevent domestic instability in countries throughout the region, in the absence of credible and effective security assurances, it would also permit continued



moderately high or steadily increasing levels of defense spending and conventional military capabilities. This could contribute to heightened security competition and an action-reaction dynamic that could escalate into a costly, destabilizing regional arms race.

## Asia-Pacific Cold War

The Asia-Pacific Cold War security environment is characterized by deepening regional bipolarization and militarization, driven by a worsening U.S.-China strategic and economic rivalry in Asia. In the political or diplomatic sphere, this could involve zero-sum competitions for influence over the Korean Peninsula, intensive U.S. efforts to strengthen its alliances and obstruct or reverse the further integration of Taiwan with mainland China, U.S.-China competition over the political allegiance of large and small non-aligned powers, U.S. attempts to entice or pressure India into a strategic alliance against Beijing, more aggressive Chinese actions toward Taiwan and disputed maritime territories, and rivalry for dominant influence in important multilateral diplomatic forums and structures in the Asia-Pacific region and beyond. In the economic sphere, a U.S.-China cold war would likely involve intense efforts by both countries to expand bilateral and multilateral trade, investment, energy, and technology interactions across the region at the expense of the other side. In the military and defense sphere, this environment would almost by definition necessitate an expanding and intensifying security competition requiring high levels of defense spending and accumulating military capital stocks. It would probably also involve an intense arms race over the ability to control the first and second island chain, and perhaps beyond. Ultimately, this environment is defined by a strong belief in both the United States and China that vital national interests could not be ensured without greatly restricting the capacity and influence of the other side.

## CAUSAL OR SHAPING VARIABLES

An Asian-Pacific Cold War environment would most likely require the emergence of a combination of the most conflictual trends and features along with the disappearance of most—if not all—of the positive trends and features. Increasing competition for resources, declining benefits of mutual investment and trade, and less open and compatible economic and trading systems would reduce incentives to cooperate across the region. Similarly, steadily increasing regional tensions and insecurity associated with growing Chinese military, economic, and political influence in Asia and declining U.S. influence—including intensified security competition and an arms race more severe than in the case of the Status Quo Redux—would accentuate conflict in the region. However, defense spending and military capabilities would contribute to the emergence of such an environment only in the context of other factors, such as changes in leadership objectives,

overreaction to unexpected developments, and severe miscalculations during political-military crises between Washington and Beijing. Such crises and miscalculations would become more likely in the absence of significant security assurances, confidence-building measures, or crisis management mechanisms.

## Pacific Asia-Pacific

The Pacific Asia-Pacific security environment is characterized by increased U.S.-China and regional cooperation and reduced tension. This environment would evince a clear and sustained decrease in the number and severity of destabilizing events across the Asia-Pacific, including political-military crises, changes in alliances, tensions over trade and investment practices, and disputes over the management of regional and global security issues. Instead, most nations would concentrate a high level of resources and attention on domestic social and economic issues and the peaceful resolution or management of common transnational threats and issues of concern. Differences and even some significant disputes would certainly remain over a variety of issues, but they would not generate zero-sum approaches or solutions.

## CAUSAL OR SHAPING VARIABLES

Such an environment would most certainly require a very stable and enduring balance of power across the region—especially between the United States and China—along with greater levels of overall trust and a high level of confidence that differences could be handled peacefully and in a manner beneficial to those involved. While an enduring balance of power could emerge even in the Asia-Pacific Cold War environment, only high levels of trust and the peaceful settlement of disputes, such as a long-term solution to tensions on the Korean Peninsula, would provide a basis for the kind of enduring positive cooperation that could generate a peaceful region. Such a development would require a near-reversal of the current negative dynamic driving security competition across much of the Asia-Pacific. This would necessitate prior domestic consensus on the interests of each state in the region, a clear grasp of how each state would react to specific developments, and agreement on a series of steps that recognize the legitimate features of modernization required for national security while reducing the extent of possible threats to others. Ultimately, this would facilitate a far more cooperative atmosphere even as military capabilities increase overall.

## Asian Hot Wars

The Asian Hot Wars security environment is characterized by episodic but fairly frequent military conflict in critical hot spots, emerging against a cold war backdrop as described

in the Asia-Pacific Cold War scenario. Such military conflict could occur deliberately or escalate from unforeseen accidents. It would likely take place as a result of a dispute over Taiwan, maritime territories in the East or South China Seas, freedom of navigation issues along China's maritime periphery, or the Korean Peninsula. In this environment, both Washington and Beijing would develop war-oriented national objectives and military doctrines and would engage in intensely competitive efforts to expand influence across the Asia-Pacific through political, military, and economic means. Sustained, very high levels of defense spending and accumulated military capital stocks would likely be maintained among all major powers, as well as efforts to strengthen or create military alliances and other forms of adversarial behavior evident in the Asia-Pacific Cold War environment. Mutually hostile domestic political environments could further increase the rigidity of elite opinion and lead to a highly unstable political-diplomatic environment. Overall, this environment showcases an increased reliance on military instruments to advance interests, reduce vulnerabilities, and ensure credibility.

#### CAUSAL OR SHAPING VARIABLES

The key contributing factors to the Asian Hot Wars environment are similar to those of the Asia-Pacific Cold War. Indeed, this environment would almost certainly be preceded by many of the political, economic, and military trends and features that would produce an Asian cold war. As in the Asia-Pacific Cold War environment, decreasing benefits would be associated with mutual investment and trade, and economic and trading systems would be less open and compatible. Simultaneously, no credible bilateral or multilateral security assurance processes, confidence-building measures, or crisis management mechanisms would exist, and the major powers' conventional military means of deterring one another from escalating a crisis would be of questionable value. The environment would be characterized by sustained, high levels of defense spending and accumulated military capital stocks among all major powers, as well as those Southeast Asian nations involved in maritime or territorial disputes. Expanded capabilities of the military, law enforcement agencies, and commercial actors would result in increased numbers of vessels and aircraft and more frequent close encounters in contested waters, thus producing greater opportunities for conflict. Finally—and perhaps the most important condition for the emergence of this environment—would be the rise to power in both the United States and China of strong, ultranationalist leaderships dedicated to sustaining or upending the previous regional balance of power in favor of the United States.

#### Challenged Region

The Challenged Region security environment is characterized by social, economic, and political instability and unrest separate from U.S.-China competition. Political leaders

would focus in a sustained manner on dealing with urgent—indeed, virtually overwhelming—common problems such as climate change, pollution, pandemics, domestic political and social unrest, and terrorism, while the need or opportunity to pursue historical rivalries or engage in forms of security competition would decline. Ultimately, as in the Pacific Asia-Pacific environment, the level of interstate tension and conflict would be consistently low and the incentives to cooperate much higher. Defense spending would thus decline or remain level as states focused more resources on dealing with domestic and foreign regional and global challenges. Security concerns would remain, but their salience as urgent issues requiring attention would decline in the political calculations of leaders and the sentiments of the public.

#### CAUSAL OR SHAPING VARIABLES

Obviously, the most important catalyst for this environment would involve the emergence of major and pressing, long-term transnational, nontraditional threats to the safety, health, and security of populations and governments across the Asia-Pacific region. The severity of such threats would need to be very high and sustained over several years, thus clearly overshadowing other potential sources of national concern. This environment would thus not be as “pacific” as the Pacific Asia-Pacific environment in that serious non-traditional security threats would drive most interstate behavior. The absence of interstate conflict would result more from an urgent need for nations to cooperate in combating common problems than from a fundamental structural transformation in the region.

### STRATEGIC RISKS AND OPPORTUNITIES

These five possible future regional security environments and the contributing factors for each together suggest several types and levels of strategic risk and opportunity for the United States and PACOM over the short, medium, and long term.

#### Strategic Risks

The most overall significant risk for the United States involves movement toward the competitive and conflictual side of the Status Quo Redux security environment. This risk would be most salient in the short to medium term (although it could emerge only over a longer time frame) and would result in the long-term danger of a transition toward an Asia-Pacific Cold War–type environment.

This type of evolution of the Asian security environment ultimately presents several primary and secondary risks. The first primary risk is a steady, strategic shift of resources in many Asian states away from peaceful and cooperative economic development toward

greater arms development or racing, along with various types of zero-sum political, economic, and military security competition and rivalry. The second primary risk consists of an increased tendency among key regional states to engage in tests of resolve or efforts to “lock in” advantages over territorial and resource disputes in the seas along China’s maritime periphery. The third, occurring directly as a result of the previous risk, is a significant danger of the United States becoming embroiled in confrontations between local disputants, many of which are U.S. allies or partners. The fourth primary risk involves a general weakening of relative U.S. power over the medium to long term and the overall cohesion of the U.S. alliance system in the Asia-Pacific.

The secondary risks presented by the changing security environment include: the possibility of increasing tensions over various types of bilateral and multilateral political and economic arrangements that favor some countries over others or seek to exclude specific countries; increasing domestic unrest and political repression in key states associated with economic, demographic, and political difficulties; and domestic instability and the rise of ultranationalist forces in China. Another secondary risk could result from U.S. miscalculations or overreaction in response to a more powerful and assertive China.

### Strategic Opportunities

Fortunately, a range of factors conducive to current and future strategic opportunity also exists in the Asia-Pacific region. These factors could serve to restrain or even eliminate many of the strategic risks. They include common support for continued economic growth and access to resources; the absence of deeply adversarial and existential disputes; the high likelihood that Washington will continue to exercise strong, if not clearly dominant, economic, military, and political influence across the Asia-Pacific region; the possibility that a stronger, more secure, and confident Beijing might become more flexible and accommodating in the future, especially in altercations with neighbors; the possibility of more cooperation in dealing with North Korea; and the imperative on the part of most Asian states to maintain cooperation in addressing various types of future transnational, nontraditional security threats, from pandemics, terrorism, and piracy to the health of the international economic order and common energy security challenges.

### Conditions Influencing the Prospects for Strategic Opportunities and Risks

The ability of the United States to minimize or eliminate strategic risks and maximize strategic opportunities over the short, medium, and long terms will depend on its ability to create or shape developments in five interrelated areas:

First, and arguably foremost, are the prospects for significant bilateral, multilateral, and regional security assurances or structures that could reduce the propensity of Asian

states—especially the United States and China—to engage in zero-sum forms of strategic rivalry and arms races. Second, and closely related to the previous point is the extent of understandings reached between the political leaderships in Beijing and Washington regarding each other’s national objectives, military doctrines, and potential use of force toward volatile issues or “hot spots” that could provoke intense confrontation and instability in the Asia-Pacific. Such volatile issues include North Korea, Taiwan, maritime and other territorial disputes involving third parties, maritime energy and resource requirements, and military surveillance activities in the vicinity of each side’s territorial borders. Third, the presence or absence of clear communication channels with, and avenues of influence and persuasion over, allies, partners, or key security interlocutors of the United States and China will prove increasingly important over time. Fourth, the ability of the United States to minimize strategic risks and maximize strategic opportunities will depend on the level of cooperation in managing critical common interests or preventing crises, including with regard to such issues as the health of the global economic system, the security of vital sea lines of communication, global and regional terrorism, and weapons of mass destruction proliferation. Fifth, opportunities for risk minimization and opportunity maximization will depend on the dynamic relationship between the forces of nationalism and growing public awareness of the government’s overseas policies and actions; national economic success or failure; and political leadership change in China, the United States, and third-party actors.

## DIPLOMATIC RECOMMENDATIONS

Much of the analysis in this report confirms that the evolution of the security environment in the Asia-Pacific over the next twenty-five to thirty years will be heavily—and in some cases decisively—influenced by the actions of the United States. In other words, the challenges and opportunities confronting the United States and PACOM in the Asia-Pacific are not simply developments to which Washington and Honolulu must respond; they exist and will evolve as a result of the actions U.S. leaders take now and in the future. While the United States remains the strongest and most influential power across the region, its ability to shape the region will likely diminish, especially if Asian (and particularly Chinese) economic growth continues at a relatively rapid pace, as expected. As a result, the development of a long-range strategy that can extract the maximum benefits out of an increasingly complex and possibly limiting security environment will be essential.

The analysis of this report suggests a range of possible policy recommendations for the U.S. government and PACOM.

First, the U.S. government should undertake an interagency discussion aimed at identifying the long-term primary, secondary, and tertiary strategic interests of the United States in the Asia-Pacific in the context of the dynamic changes identified in this report.

This exercise should focus not only on process-oriented interests (for example, in continued cooperative political and economic endeavors or alliance relationships), but also on preferred regionwide patterns of political, economic, and military power among the major powers and institutions over the medium and long term.

Second, as part of an expanded effort to develop more effective means of strategic reassurance between the United States and China and, indirectly, with other Asian states, Washington should actively support the development of a strategic dialogue with Beijing. Such a dialogue should be long term, more integrative regarding a variety of concerns, and more strategy-centered than the current dialogues held with China.

Third, as near- to medium-term initiatives designed to provide greater strategic reassurance between Washington and Beijing while addressing each side's vital interests, a variety of specific reciprocal and joint actions should be considered. Some policy analysts have already offered suggestions that, while controversial and not all agreed upon by those contributing to this report, are worth considering. They can be found in the Appendix.

Fourth, Washington should sharpen its policy approach toward maritime disputes in the East and South China Seas. In the South China Sea, it should encourage the disputants to take steps to lower the perceived value of the islands. The United States should also encourage the South China Sea disputants to enhance crisis management.

Fifth, Washington should undertake a sustained effort to develop joint maritime exercises and other activities among the United States, China, and other major Asian states designed to establish a coordinated force for sea lines of communication defense against both nonstate and state actors. Coordination in securing energy sea-lanes between the Middle East and Asia is a major opportunity in building mutual trust and collaborative mechanisms for maritime cooperation.

Sixth, Washington should consider a variety of crisis management mechanisms that could help avert or manage future political-military crises over maritime territorial disputes and other contentious issues. These include hotlines between the U.S. and Chinese militaries; an Incidents at Sea agreement covering interactions between U.S. (and Japanese) and Chinese ships and aircraft; the designation of one or more trusted individual emissaries to convey sensitive messages between the U.S. and Chinese sides in a crisis; and expanded joint fishing agreements among disputants in the East and South China Seas.

Seventh, in the energy realm, it is vital to begin dealing, in a regional forum, with strategic tensions in the Asia-Pacific region over control of energy resources and transportation routes.

Eighth, in the economic realm, the United States could consider promoting a free trade agreement with the Association of Southeast Asian Nations (ASEAN) that focuses on



and takes full account of ASEAN priorities. The United States could focus on strengthening ASEAN institutions by endorsing their role as action-oriented institutions that are able and willing to tackle regional issues, including the protection of common fishing grounds, maritime rules of the road, environmental conservation in the Western Pacific, the management of pandemics, and perhaps even defense cooperation. The United States should also complement its ASEAN-centered approach with strategies toward individual ASEAN countries. Except in the most extreme cases, the United States should remain engaged in countries—at all levels—even where it has serious concerns about human rights and autocratic political systems. The United States will be better positioned to engage countries on human rights and democracy issues when it is seen as supportive of other, mutually beneficial, priorities.

## ALTERNATIVE MILITARY-POLITICAL APPROACHES AND THEIR CONSEQUENCES

In addition to the largely diplomatic recommendations listed above, the analysis in this report suggests the applicability of the three major possible U.S. and allied military-political approaches to the evolving Asia-Pacific security environment that were presented in the aforementioned 2013 Carnegie Endowment report, *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*. Each approach is primarily oriented toward creating sufficient levels of both deterrence and reassurance capabilities toward China, and each has its advantages and disadvantages.

The first possible approach would require that Washington and its allies maintain strong U.S. freedom of action and the clear ability to prevail in conflicts through a robust operational concept based on a heavy forward presence and stressing deterrence over reassurance of China, while pursuing security-related cooperation with both China and (especially) other Asian nations. This strategy would involve the creation of a very robust operational approach that integrates a strengthened U.S. alliance structure into a system designed to neutralize entirely any future anti-access and area denial (A2/AD) or power projection capabilities that China might deploy over the next twenty-five years.

The second possible strategic approach would entail a more conditional and balanced offense/defense-oriented strategy to preserve key military advantages, involving incremental changes in current doctrine, more limited United States–Japan alliance actions, and a more equal emphasis on deterrence and reassurance in relations with China. This strategy, born largely of an anticipation of long-term economic and political constraints and concerns and a greater attention—in both Washington and Tokyo—to the potentially destabilizing aspects of the strategy described above, would involve the creation of a less ambitious operational doctrine. It would be focused on two issues: preserving alliance advantages in a more limited number of areas, and neutralizing those Chinese A2/



AD-type capabilities located primarily outside the Chinese mainland and perhaps along China's coastline, not in the vast interior.

The third strategic approach would focus on a more limited offensive, primarily defensive force posture and doctrine, with a greater reliance on lower-visibility, rear-deployed forces. This strategy, perhaps favored by those most concerned about the negative aspects of the two approaches described above, would entail a shift away from efforts to sustain existing military advantages and freedom of action throughout the first island chain via offense-oriented, forward-presence-based military strategies and alliance-centered political strategies. It would require movement toward a more genuinely balanced regional power structure based on defense-oriented, asymmetric strategies, and much greater efforts to defuse the likely sources of future crises through mutual accommodation and meaningful multilateral security structures.



# DOMESTIC POLITICAL AND SOCIAL STABILITY



## OVERVIEW AND SIGNIFICANCE

A strong and stable state and society, with manageable internal unrest, limited political dysfunction and paralysis, strong or growing contact with other nations or the international community, and confidence in the future, can produce varying consequences for external behavior. Such developments can increase incentives for a state to engage in international cooperation, assume leadership responsibility within many international regimes and forums, and improve relations with other major powers. However, under different circumstances (for example, the emergence of an ultranationalistic leadership in conjunction with the presence of strong sentiments among the population to reclaim lost territory and perceived threats from other states), domestic strength and stability could increase leaders' incentives to confront other nations. Movement toward either greater external cooperation or confrontation will thus likely depend on leaders' assessments of the advantages that would accrue to elites as the result of such behavior. Their judgments would be influenced by both economic considerations and internal political calculations and expectations concerning the reactions of other states.

Varying outcomes are also possible in the case of domestic political dysfunction and social instability. Domestic political disorder and social unrest could compel leaders to behave more conservatively and cautiously overseas in order to create a stable external environment conducive to a sustained focus on reestablishing domestic political cohesion

and social order. Severe social unrest could also provide opportunities for international agencies and other states to offer substantive assistance, creating an opportunity for enhanced external cooperation. Alternatively, domestic disorder could heighten a sense of internal crisis and underline the leadership's vulnerability, making leaders less likely to compromise in disputes with other countries. Once again, outcomes are often dependent on leaders' cost-benefit calculations.

Ultimately, prolonged social stability and political cohesion are necessary conditions for economic and social development, but they could correlate with either greater cooperation or conflict, depending on other variables. Similarly, social instability and political dysfunction are necessary but insufficient causes for certain negative outcomes.

## INTRODUCTION OF THE VARIABLES

### Economic Growth and Volatility

Domestic instability is frequently associated with sudden, severe, and prolonged economic decline, as reflected in decreased gross domestic product (GDP) growth rates and levels of unemployment, especially among men. However, rapid economic growth can also be destabilizing when it incurs significant costs to the environment, disrupts traditional economic, familial, or community structures, or distributes wealth unevenly. In general, the influence of basic GDP growth and unemployment on social and political instability is contingent upon the reality—and more important, the perception—of:

- growing economic or political inequality along religious, ethnic, geographic, or class lines;
- the legitimacy of institutions that mediate or resolve social conflict and convey dissent (for example, political parties, the media, and local and regional governments);
- the dependability of social welfare systems;
- political and economic corruption;
- environmental degradation;
- the size of the labor force;
- the composition of the labor force (by age, sex, and educational attainment);
- gender imbalances, changing family structures, and the number of unmarried men;
- trends in population age; and
- flows of migrant workers, within and between states.<sup>1</sup>

## Economic Inequality

A substantial amount of research demonstrates a high inverse relationship between inequality and sociopolitical stability (that is, as inequality increases, sociopolitical instability often emerges). Generally speaking, societies with relative inequality experience lower levels of social trust and community involvement, as well as higher crime and homicide rates. Beyond the material reality of inequality, however, perceptions of inequality are an important factor in fueling social discontent. Economic inequality may not generate instability if the population perceives the distribution of wealth to be fair, as is often the case when the standard of living of low-income citizens is rising.

## Elite Cohesion

In every country, different elite factions engage in political competition that can, particularly in times of great social and economic volatility, destabilize the political landscape or otherwise impede effective governance. In democratic countries, this competition is often manifested in the form of partisan gridlock or polarization. If such gridlock reaches certain extremes, it can hobble the government's ability to implement domestic and foreign policies necessary for the country's basic well-being. It could even delegitimize the regime itself, potentially paving the way for a more authoritarian leader to take the reins, whether through democratic channels or not. In authoritarian countries, intra-elite competition is often manifested in the form of behind-the-scenes machinations that can make the national leadership unwilling to pursue certain policies for fear of alienating powerful factions. At its most dramatic, it could severely destabilize the political system, particularly if one elite faction were to ally with the military in staging a coup or suppressing the competing elite faction.

## Civil-Military Relations

The values, interests, size, and autonomy of the military elite in relation to the political elite can exert a powerful impact on domestic stability. Strong, independent, cohesive, and politically oriented military elites are far more inclined to challenge the prerogatives and power of civilian political elites during periods of instability than are military elites that are highly integrated into the political leadership on the basis of common backgrounds and experiences, political values, and socioeconomic interests. In China, for example, political and military elites have much more divergent experiences, training, and backgrounds today than during the Maoist period. However, both groups share a belief in the need to maintain a single, strong source of political power—currently rooted in the Communist Party—and to prevent the emergence of any autonomous, organized sociopolitical group that might challenge the authority of the party.

## Regime Legitimacy

A political regime that is legitimate enjoys the acceptance of its authority by the population and a recognized need to observe its commands. Political regimes can draw legitimacy from several sources, such as tradition, habit, history, religion, ethnic identity, legality, international recognition, or results. Although it can be effective without being legitimate, a political regime without legitimacy may have a harder time maintaining its authority and enforcing political obligations among the population.

## The Scope and Strength of the Middle Class

A strong, cohesive, and at least semiautonomous middle class can provide a major impetus for the transformation of political systems from closed and autocratic to more open and competitive. However, the growing demands of a middle class can also produce enormous instability, depending on the extent of its autonomy, its identification with the existing political order, its relationship with the political and socioeconomic elite, and the response of those elites to demands for change.

## THE VARIABLES IN THE ASIA-PACIFIC

### China

Current economic trends, with sustained strong growth and low inflation, suggest that China's recent pattern of mildly fluctuating GDP growth rates will continue to gradually decelerate from its long-term 10 percent average. The most likely scenario will sustain real growth in the upper single digits well into the 2020s before slowing further to middle single-digit rates by 2040. A sustained return to higher rates of growth in North America, Europe, and Japan and an accompanying rapid expansion of world trade could add one to two percentage points to these domestic-driven growth rates.

The institutional underpinnings of China's past economic success are likely to continue well into the period under review. These include a fiscal and financial system supporting high levels of investment in infrastructure, private productive capacity, education, and technology. Such sustained rapid growth, and the surges in rural-to-urban migration it will generate, can produce a wide range of opportunities for social unrest to disrupt economic progress. These include urban dissatisfaction over further erosion of Maoist-era subsidies. New programs proposed at the late 2013 Communist Party plenum, including a domestic security committee and a high-level leading group on local governance quality, imply improved capabilities for handling the inevitable dissatisfaction that results from the rising expectations China's growth has created. But this is by no means guaranteed.

A less likely economic scenario is that China will move too quickly to liberalize domestic and international finance, resulting in inflation, financial policy instability, and currency fluctuations slowing both public and private investment growth and, as a consequence, slowing overall GDP growth and job creation. Such a scenario would likely result from worsening corruption in China in the coming decades by which special interests—the financial sector in particular—succeeded in eroding the government’s regulatory capabilities in favor of a financial environment that was more *laissez-faire* but less stable. The long-term implications for China of such untoward developments would depend on how quickly, if at all, the central government adjusted policies in a corrective direction. With adequate adjustment of some loss of earlier public investment capabilities, GDP growth through 2040 could slow to a long-term average in the middle single digits.

A complete economic collapse in China, due to a real estate or financial crisis, is highly unlikely. It would be possible only if the government failed to respond effectively to a financial crisis that caused rapid liberalization of international financial flows, rapid introduction of market-based exchange rates, balance of payments crises from an overvalued currency, and eventually depleted foreign reserves. Such a collapse scenario appears unrealistic at this juncture because of the government’s likely willingness to use swift administrative and market-based measures to stop and reverse any damaging trends. Such a crisis scenario would slow average GDP growth through 2040 to the very low single digits and possibly occasional years of negative growth, creating major labor absorption problems and levels of social unrest that would be difficult to manage peacefully.

It should be noted that China’s demographic prospects over the next twenty-five years portend a significant departure from the past two decades. China faces a multiplicity of demographic discontinuities, all of which are occurring simultaneously and have possible adverse implications for the country’s future strategic performance. Many of them—including a rapidly aging population, a decline in the working-age population, and prospective changes in family structure—can be expected to exert pressure, possibly even severe pressure, on Chinese economic performance. For example, a rapidly aging population that lacks welfare guarantees from the state and relies on a younger generation for support could lead to greater socioeconomic tension in China. Many assessments of the Chinese economic outlook take little or no account of these pressures. It is therefore possible that China’s economic growth over the next two decades may be slower than scholars, business leaders, and government officials in Beijing and abroad currently assume.

That said, Chinese leaders are abundantly aware of the demographic challenges that China faces. Furthermore, China’s economic growth has relied on high rates of modern investment rather than high rates of labor force expansion. Awareness of the problem, along with Beijing’s abilities to sustain growth rates through a variety of means, might prevent significant GDP growth deceleration (to levels below 6–7 percent annual growth) due to demographic factors, but the possibility of such deceleration certainly exists.

The unprecedented economic growth and decline in absolute poverty of recent years in China has been accompanied by growing inequality in Chinese society. This is most evident between urban and rural areas and between formally registered urban residents and unregistered permanent urban laborers. Reliable data on income equality are incomplete—in part because the wealthiest Chinese possess so much unreported “gray income”; however, it is estimated that China’s Gini coefficient has increased from as low as 0.25 to about 0.47 during the past three-and-a-half decades of rapid economic growth.<sup>2</sup>

The People’s Republic of China (PRC) government has, at least rhetorically, made income inequality one of its chief concerns. Both the Eleventh and Twelfth Five-Year Guidelines (2006–2010 and 2011–2015, respectively) addressed it explicitly and aimed to close the wealth gap through various forms of wage and distribution reforms, social safety net improvements, and educational and infrastructural investments.<sup>3</sup> Despite these rhetorical overtures, many observers argue that entrenched interests in the banking sector, local governments, and state-owned enterprises have thus far prevented such efforts from being adequately implemented.<sup>4</sup> Concerns about inequality aside, however, specialists in this field generally acknowledge that the most important driver of absolute poverty reduction is not overall inequality but growth of per capita income economy-wide. In this regard, China’s increased inequality has not inhibited the tremendous reduction in absolute poverty resulting from sustained rapid income growth. If anything, the rapid movement of rural workers to better-paying urban jobs has increased inequality at the same time it has reduced absolute poverty.

Leadership rifts and personal political rivalries in China are perhaps the most difficult to assess of any factors as catalysts or magnifiers of domestic instability. China has made considerable progress in recent decades in creating a more predictable, and hence stable, political process. This has emerged as a result of the gradual institutionalization of leadership processes, responsibilities, and functions; the emergence of a greater elite consensus regarding basic development strategies and preferred patterns of state-society relations; and an increasing aversion among the leadership to taking actions that might threaten regime stability. Nevertheless, power rivalries, the prevalence and importance of informal personal relationships, and increasing levels of corruption suggest possible avenues for conflict.

Many observers point to the existence of certain leadership cliques within the PRC, notably the populist *tuanpai*, or Communist Youth League clique (sometimes derogatorily referred to by elite Chinese as “shopkeepers”), represented by Hu Jintao, and the elitist, princeling, or Shanghai clique represented by Xi Jinping (and previously, Jiang Zemin). Other experts on the Chinese regime dispute this classification, questioning whether there is any cohesive ideology that binds the so-called princeling clique. Alice Miller of the Hoover Institution has argued that factionalism plays an increasingly marginal role in Chinese politics; instead, institutional balancing among different Chinese Communist Party (CCP) organs and hierarchies serves as a more important consideration in leadership



decisions. In any event, the CCP leadership has been quite successful at establishing power-sharing arrangements that have enabled more or less equal representation for its various divisions.<sup>5</sup> Ultimately, it is most likely that these avenues would contribute to leadership rifts or political rivalries in the context of a sustained decline in China's economic growth levels or the failure to manage a serious internal or external crisis.

Outside observers increasingly claim that the People's Liberation Army (PLA)—as a conservative, highly nationalistic, and increasingly confident actor in the Chinese political system—exerts more influence over China's decisionmaking process.<sup>6</sup> The frequent appearance in the Chinese media of PLA figures, such as retired major general Luo Yuan or retired rear admiral Zhang Zhaozhong, calling for more aggressive foreign policies seems to compound this impression. In reality, however, the PLA today wields far less political power than it did during the Mao Zedong and Deng Xiaoping eras. Moreover, since assuming power in 2013, Xi Jinping seems to have had success in consolidating his control over the military; he has created and chaired several leading small groups on security topics and reportedly micromanaged China's response to Japan's 2012 “nationalization” of the Senkaku/Diaoyu Islands.<sup>7</sup>

Unlike the military in many developing countries, the PLA does not behave as a separate institutional force in Chinese power politics and within senior policy channels. Its mandate is almost exclusively defined by its professional responsibilities, and both civilian and military elites in China remain unified by a commitment to regime survival and increasingly institutionalized norms of policy formulation and conflict resolution.<sup>8</sup> Bellicose statements made by hawkish PLA leaders could be viewed as propaganda rather than indications of division within the regime or indications of intent. In some cases (though not all) these statements are made to boost the regime's domestic legitimacy and gain leverage over foreign actors.<sup>9</sup> That said, authoritative PLA statements and actions can also at times place pressure on the senior civilian leadership, by setting a public tone for the regime or creating a fait accompli that constrains policy options over the short term.

During the past three decades, the CCP regime has demonstrated a formidable ability to adapt to the unprecedented changes sweeping through China in ways that have often weakened, blunted, or otherwise neutralized widespread political opposition or serious social unrest (with the notable exception of the Tiananmen Square mass demonstrations of 1989). Today, despite its efforts to neutralize and suppress opposition, Beijing apparently finds itself confronted with an increasing gap between the expectations of the Chinese people and the realities on a range of social and economic issues. Local protests regularly erupt over issues such as confiscation of land by local officials, food price inflation, factory closings, state-owned enterprise layoffs, home evictions for urban development, and environmental degradation. Overall, both official and unofficial accounts suggest that the number of protests has been increasing in recent years.<sup>10</sup>

Government corruption and cronyism as visible manifestations of inequality inspire the most vehement anger among Chinese citizens.<sup>11</sup> Such corruption arguably stems from underlying structural problems in Chinese economic governance. Executive compensation in China's state-owned enterprises, for example, is structured in a way that directly incentivizes rent-seeking using opaque subcontracting procedures and financial vehicles. In addition, local government procurement bidding often lacks transparency and impartiality—a phenomenon that at times has resulted in shoddy or dangerous infrastructure and construction that in turn has precipitated high-profile accidents. Public outrage over such events has led some observers to conclude that the Chinese citizenry is becoming more restive and dissatisfied with CCP rule.<sup>12</sup>

When combined with rising inequality and slowing growth, corruption emerges as a significant threat to CCP legitimacy and rule. The Chinese government recognizes this threat and in December 2013 introduced a five-year anticorruption plan. So far the campaign appears to have been successful in demonstrating its credibility to the population and overcoming vested interests within the party. If, however, the campaign fails and corruption appears endemic at a time when China's economy slows below levels required to provide adequate levels of employment, significant domestic instability could result. This is especially likely given the fact that the party derives much of its political legitimacy from its ability to grow the economy.

Sovereignty and territorial issues (including the Taiwan question) could also present internal challenges to the Chinese regime as a result of pressures created by the interaction between domestic nationalist demands and perceived foreign provocations. In China, such disputes generate strong nationalist sentiments and are seen as tests of the ability of a government to defend the nation's vital interests. As a result, actions by claimants can easily spark spirals of instability as each side seeks to counter the other's moves. Because territorial disputes are zero-sum conflicts, any effort by one state to strengthen its own claim will be viewed as a challenge by other claimants.

The likelihood of territorial issues acting as catalysts of domestic instability in China—and the exact chain of events that might bring them about—are much more difficult to estimate than in the case of economic variables, especially over the long term. As discussed in further detail in chapter 3, much will depend on the specific expectations of political and military leaders regarding understandings reached with other claimants on how to handle territorial disputes, the evolving domestic and external cost-benefit calculations of those leaders over time, and the presence or absence of crisis avoidance and management mechanisms.

Concerning both corruption and territorial disputes, much will depend on the government's ability to shape public opinion and contain citizen activism. A number of studies report that China's propaganda and internal security departments have developed robust

capabilities to censor media outlets and curtail domestic protests when they threaten to spill over into criticism of the regime. Censorship responsibility is also placed on Internet content providers that can be fined or shut down if they do not adhere to the government's censorship guidelines. The purpose of these programs is to reduce the probability of collective action by cutting social ties between individuals or groups with shared grievances and the motives for collective action.<sup>13</sup> In some instances, however, notably with regard to nationalist movements, the government allows protests to take place, or calculates that the cost of suppressing them immediately outweighs the potential advantages of permitting them to continue for a time. This is done as a means of signaling the government's intentions and shaping the contours of diplomatic negotiations with other countries. It also allows the public to vent grievances, thereby channeling forces that could otherwise prove dangerous. The ultimate effectiveness of this strategy is predicated on the assumption that nationalist protests do not escalate and bring the protesters into conflict with the regime or create a diplomatic incident.<sup>14</sup>

## North Korea

Political uncertainties about North Korea's future are magnified by the many negative aspects of its current economic situation, including signs of deindustrialization; the devastating famine of the 1990s; the growing reliance on China (and, earlier, South Korea) for large contributions of food, fuel, and fertilizer; and North Korea's practice of engaging in illicit activities (for example, drug trafficking and counterfeiting) to earn much-needed hard currency. (However, it is worth noting that there are some indications that drug trafficking and counterfeiting have been on the downswing as Chinese aid has been on the upswing.) Pyongyang's single-minded focus on earning foreign exchange from essentially political projects such as the Kaesong Industrial Complex and the currently suspended Mount Kumgang project, the notorious involvement of North Korean diplomats in selling contraband cigarettes, and North Korea's ongoing export of labor to Siberia and Manchuria all suggest that the country's economy is not supported by "normal" international commerce and thus continues to experience serious difficulties. Many if not all of these phenomena could well continue indefinitely.

Beijing has urged Pyongyang for years to adopt Chinese-style economic reforms, but North Korea has been loath to risk the social and political changes that would be required. It is worth noting, however, that a certain degree of unplanned (as well as planned) marketization has occurred in the country. Black and private markets exist, and state trading companies have become an important means of conducting informal market activity between North Korea and other countries. The result has been a hybrid system of formal and informal marketization, endemic corruption, and an erosion—albeit a relatively marginal one—of the central government's control.<sup>15</sup>

Information emerging from North Korea is unreliable, making it difficult to precisely estimate levels of income inequality. Nevertheless, it is generally assumed that economic inequality is pronounced, with a small number of political elites controlling a majority of the country's resources.<sup>16</sup> Some tentative estimates, based on interviews with North Korean refugees (not necessarily the most reliable source), place North Korea's Gini coefficient between 0.63 in 1998 and 0.86 in 2002, though it is unclear how these estimates relate to the present situation.<sup>17</sup>

It remains to be seen whether Kim Jong-un will consolidate the same degree of control over the military, the party, and the bureaucracy that his father and grandfather demonstrated and which would allow him to rule effectively for several decades. Some defector reports suggest that he is not viewed with the same degree of respect that they were. The purge and execution of Jang Song Thaek, a central player in the North Korean leadership and a relative of the ruling Kim family, suggests that fissures could exist inside the regime, including at the top level of the North Korean leadership.

Institutional differences certainly exist between the Korean Workers' Party, the Korean People's Army, and the cabinet, and each competes to see its particular interests addressed. As the regime has become increasingly bureaucratized, it is possible that it has also become less dominated by the Kim family. Nevertheless, although Kim Jong-un may have to address competing demands, he certainly still determines policy direction.<sup>18</sup> Since taking over as leader in late 2011 after his father's death, Kim Jong-un has repeatedly reshuffled the ranks of the army leadership, ousting a number of prominent, experienced generals and replacing them with younger figures primarily loyal to him. While not necessarily an indicator of problems between Kim and the generals he inherited from his father, the rapidity and thoroughness with which he has carried out these changes suggest that this personnel housecleaning has been a priority for him.

A North Korean middle class, and an attendant civil society, are virtually nonexistent. The country has no social or civil leaders to organize demonstrations against the government, and there are no institutions around which protests could form. As a result, a collapse of the regime is much more likely to originate at the higher levels of government.<sup>19</sup>

## Russia

Russia will face serious, structural economic challenges over the next twenty-five years. Its commodity-driven growth model allowed it to achieve strong economic growth in the decade before the financial crisis. However, it appears that Russia's oil and gas industries can no longer ensure its economic growth; despite record-high liquids production and oil price levels in the past few years, its economic growth has slowed.<sup>20</sup> According to analysis from the World Bank, the slowdown indicates that Russia's economy is operating at

close to its potential output and that the slowdown is structural—rather than cyclical—in nature. Russia’s economy is heavily invested in tangible assets (specifically oil) and infrastructure, but it lacks institutions for managing volatile resource earnings and regulating enterprises. To improve its economic growth, Russia must reduce its dependence on oil and diversify its economy, address its institutional weaknesses, strengthen transparency and competition, and improve the quality of public investment. Given that no major structural reforms are being planned, it is likely that Russia’s economic growth will suffer over the long term.<sup>21</sup> Recent major shifts in global oil markets and the potential for a protracted period of much lower oil and gas prices would present enormous challenges for the ability of the government to sustain even very slow economic growth. Recent severe financial turmoil in Russia due to the sharp oil price drop is indicative of the major impact that a long period of lower prices could have on the stability and legitimacy of the leadership that depends almost entirely on high oil and gas prices to support rising living standards.

Russia continues to face significant demographic troubles, with relatively low birth rates (including a post-Soviet baby crash in the 1990s and early 2000s), relatively low overall life expectancies, and acutely high mortality rates for its working-age cohorts, especially working-age men. In the latest revisions of the UN Population Division’s World Population Prospects, the medium projections envision Russia’s population declining from 143 million in 2010 to 133 million in 2030.<sup>22</sup> This decline, in conjunction with a shrinking labor force, has adverse implications for an already weak, underdeveloped, and knowledge-poor economy.<sup>23</sup> Moreover, Russia’s population decline is concentrated in core ethnic Russian areas while population growth continues in the Muslim-majority Caucasus regions. This could lead, over the long term, to greater domestic political instability given the recent history there of separatist violence, Islamic fundamentalism, and anti-Russian sentiment. Another related source of social unrest stems from the immigration of young people from Central Asia in search of greater economic opportunities. Their willingness to work hard for lower wages, combined with existing xenophobic prejudices, has caused a surge of Russian nationalism and sometimes violent anti-immigration responses. Poor economic growth merely fuels such domestic unrest.<sup>24</sup>

With the exception of Caribbean nations, Russia has the highest level of wealth inequality in the world. The top 10 percent of wealth holders own 85 percent of all household wealth in Russia—a number significantly higher than any other major economic power. However, due to the fast economic growth occurring at the beginning of the century, Russia has experienced very rapid growth in household wealth. Wealth per adult rose from \$2,920 in 2000 to \$19,590 today.<sup>25</sup> This growth in household income may have tempered the general perception of economic inequality in the country, but if Russia’s economic growth slows, as economists currently predict, this attitude may change.

The Obama administration’s decision in the aftermath of Russia’s annexation of Crimea to seize the assets of and impose visa bans on individual Russian citizens (rather than

imposing sanctions on the state as a whole) highlights the importance and co-optation of the Russian elite in Vladimir Putin's government. During his time in power, the state has effectively nationalized risk, provided state funds for investment, and privatized rewards for individuals close to Putin in return for their political loyalty.<sup>26</sup> As a result, Russian billionaires have increased their wealth by relying on and supporting the centralized power of the state, giving them a vested interest in the status quo. Moreover, there are indications that Western sanctions may actually be binding Russia's elites more closely together. Cooperation between Gazprom and Rosneft—traditional rivals—on an Arctic oil project suggests that they (and Russia's political and business elite more generally) are working together to minimize the effect of sanctions.<sup>27</sup>

There is little doubt that the consolidation of power under Putin has reinforced his supremacy over decisionmaking on security policy. However, a key issue in Russian security policy remains threat perceptions by the leadership and the translation of these threats into military policy. Traditions of militarism are deeply rooted in Russian society, and violent conflict is often presupposed. As a result, threat perceptions are amplified and used to promote and justify the influence of security concerns in the making of public policy.<sup>28</sup> Combined with a lack of civilian democratic controls on the military and the use of force, this has allowed the security community to successfully persuade the government to accept expansive threat assessments without an objective consideration of the situation.<sup>29</sup> That has resulted in policies that presuppose conflict and have made Russia a risky actor in the international system.

The social contract in Russia is primarily socioeconomic in nature. Accordingly, Russians generally support policies that bring about social or economic stability and lead to improvements in living standards. The conduct of politics thus becomes a defining factor only when socioeconomic promises are not fulfilled. Such a social contract may seem convenient to a semi-autocratic regime in the short term, but in the long term it implies that Russia may have trouble sustaining its legitimacy if its economy faces problems (as is predicted, due to its dependence on oil and gas). The potential for a fundamental shift to lower long-term oil and gas prices represents a major potential threat to the regime's legitimacy. Also, endemic corruption undermines the government's moral authority, and respect for the rule of law has never been internalized.<sup>30</sup> Putin may currently generate high levels of support due to his actions to protect Russian speakers in Ukraine, but it is unclear how long this support would be sustained in a period of economic distress.

## Taiwan

While Taiwan is significantly wealthier than the Chinese mainland on a per capita basis, its rate of economic growth has slowed dramatically since the 2008 financial crisis, although it has recovered considerably in the past two years. Taiwan's economy is highly

reliant on export demand, and its largest export market for many years has been mainland China. Since the financial crisis, economic integration between Taiwan and China has proceeded at a rapid pace. An Economic Cooperation Framework Agreement signed in 2010 has led to significant market opening in some sectors. That said, export dependence on the mainland market (including Hong Kong) has remained steady at around 40 percent for the past six years following rapid growth in the dependency rate over the preceding eight years. Overall, linkages across the Taiwan Strait in trade, transportation, tourism, and financial relations have expanded quickly. Over the longer term, continued relatively slow economic growth, especially compared with China's high economic growth, suggests a narrowing economic gap across the Taiwan Strait and an increasing reliance on China.

Taiwan's demographic changes are likely to contribute to domestic economic pressure. Extraordinarily low fertility rates presage a Taiwan that is in population decline beginning in 2021 and shrinking at a tempo of 0.3 percent per annum by 2030. Between 2010 and 2030, Taiwan's working-age population is slated to decline by 11 percent; the ratio of working age to total population is also set to drop sharply, from about 73 percent to 65 percent. A rapidly aging population will have significant adverse implications for Taiwan's economic performance. However, while its population changes may be even more profound than those of China, Taiwan is likely better situated to cope, given its relative wealth, small size, and availability of institutions and social mechanisms to address these pressures.<sup>31</sup>

In 2001 Taiwan's Gini coefficient was 0.350 and since then has been around its current level of 0.342 (compared with China's 0.477). As growth slowed in Taiwan two decades ago, the government introduced a national health-insurance program and greater political accountability as measures of fighting income inequality (former president Chen Shui-bian is serving a twenty-year jail sentence for bribery). Taiwan's income gap is now lower than Hong Kong's (0.537 in 2011) and Singapore's (0.482 in 2011).<sup>32</sup>

Taiwan has successfully managed a transition to democracy despite its history of military autonomy and martial law. Perhaps most notably, active-duty military officers no longer hold positions in the civilian government, and the military is not responsible for internal security. The military is now a largely neutral political force. In addition, passage of the National Defense Act in 2000 (which placed a previously autonomous military command system under the control of the Ministry of National Defense) and an enhanced oversight role for the Legislative Yuan have further strengthened democratic control of the military.<sup>33</sup>

In domestic politics, even though the moderate and restrained Ma Ying-jeou government is improving relations with both Beijing and Washington, it is possible that Ma will be replaced by a proponent of Taiwan's independence in the next presidential elections, scheduled in 2016. Such an outcome will depend in large part on whether the



Pan-Green Coalition is able to produce a strong challenger to the ruling Nationalist Party (Kuomintang, or KMT). Although the Pan-Green Coalition has been in a state of internal crisis and disarray since revelations in 2007 of several serious financial scandals linked to Chen Shui-bian, the current chair, Tsai Ing-wen, seems reasonably well positioned to pull the opposition together.

Indeed, in late 2014 local elections, the Pan-Green Coalition did very well. It garnered far more votes than the KMT, not even counting the overwhelming victory of the independent candidate for mayor of Taipei City, who was backed by the main opposition party, the Democratic Progressive Party (DPP). The KMT's loss of Taipei for the first time in sixteen years, as well as control in nine other previously held cities and counties, augurs poorly for the KMT's prospects in the next presidential election.<sup>34</sup> Hence, although still not fully united, the DPP is in better shape than it has been in a long time to defeat the KMT in next year's presidential contest as well as to make major gains in the legislative elections that will take place at the same time.

A key issue in the race for the presidency will be the electorate's judgment of President Ma Ying-jeou's engagement of Beijing. Although most people in Taiwan understand the importance of cross-strait relations to their security as well as their economic well-being, there is concern that the pace of cross-strait engagement, and the terms of some key agreements, which seem to favor "haves" over "have-nots," constitute a potential threat to Taiwan's long-term freedom. The results of this most recent election, as well as the emergence of the Sunflower Student Movement (which coalesced in opposition to the passage of the Cross-Strait Service Trade Agreement in March and April 2014), are indicative of the existence of such concerns among the Taiwanese population. At the same time, the DPP will be challenged not only to convince the electorate that it can govern but also that it can successfully manage cross-strait relations. It failed on both scores in 2012, and Beijing may make it hard to be convincing on the cross-strait dimension in 2016 unless the DPP embraces some form of "one China" framework, which the DPP seems unprepared to do.

## India

India's economy has grown rapidly since the 1990s, and a key economic challenge for New Delhi will be to maintain growth and development despite the threat of global financial crises and rising resource costs. These external challenges will be compounded by continuing internal challenges, including an expanding population, persistent poverty, growing social inequality and unrest, and ethnic and religious strife.<sup>35</sup> Managing such domestic issues will likely remain New Delhi's priority over at least the short to medium term. It also will be critical in determining whether India has the capability to achieve its broader foreign policy ambitions.



Compared with China, India has lagged in overall economic growth rates and development, largely due to a slump in foreign direct investment, domestic infrastructure bottlenecks, and limited structural reforms. Its per capita GDP is only a quarter of China's, although both countries were at comparable levels in the early 1980s.<sup>36</sup> At the same time, India is experiencing much more rapid population growth—with more than 600 million citizens currently under twenty-five years of age—in contrast to China's rapidly aging society. This presents an opportunity for robust growth in the long term, but also a potential problem if India is unable to create enough jobs for the expanding workforce (as many as twenty million jobs per year over the next decade).<sup>37</sup>

Economic reform in India has traditionally been slow because of a lack of national consensus and politicians' fears of provoking the powerful forces of populism and socialism. At the same time, reform incrementalism could allow greater stability in the development process. Growing political fragmentation, state-level reforms, and emergence of leaders from various political parties other than the Congress Party, which dominated Indian politics until 2014, could contribute to new national political coalitions that depart from the status quo.<sup>38</sup> More broadly, bureaucratic inertia will continue to stymie job creation, infrastructure development, and the provision of basic public services.

Sectarian violence in the form of continued Hindu-Muslim tension—possibly exacerbated by the growing prominence of the Hindu nationalist Bharatiya Janata Party (BJP)—and violence perpetrated by Maoist extremists each pose a threat to India's domestic stability. Corruption and poor governance have also led to a growing wealth gap. Coupled with weak investment, such trends could increase the risk of an economic downturn, causing greater social unrest and public dissatisfaction. But the relatively large scale of India's domestic market and its lesser dependence on foreign trade insulates it somewhat from global economic crises.<sup>39</sup>

The BJP's decisive victory in the May 2014 elections could have significant economic and geopolitical implications for India's future trajectories. The new prime minister, Narendra Modi, rode to victory on an agenda of domestic renewal, promising to raise economic growth, tackle endemic corruption, and increase bureaucratic efficiency through “maximum governance, minimal government.”<sup>40</sup> This platform was overwhelmingly supported by the large emerging demographic of technologically connected, urban and suburban, middle-class young people. Aspirations for more dynamic economic growth and better standards of living will cut increasingly across the traditional divisions of caste, religion, region, and urban versus rural.

The key consideration for India's growth prospects is whether the new Modi government will be able to overcome cultural and legal rigidities and implement more effective political leadership to mobilize resources for long-term growth, including a shift toward broader investment and away from living standard subsidies.<sup>41</sup> Observers differ on how

well this can be achieved over the next twenty-five years. India's long-term economic growth will still proceed at a faster pace than that of developed economies, with a likely average of middle-to-high single-digit growth rates per annum.<sup>42</sup> In its *Global Trends 2030* report, the U.S. National Intelligence Council predicts that India's share of global GDP will increase by an average of more than five percentage points per decade between 2010 and 2030, while its share of global middle-class consumption will increase at a quicker pace than China's over the same time period, to constitute roughly 20 percent by 2030.<sup>43</sup> If Modi (or future leaders) is unable to follow through on his campaign promises, a weak national political leadership will continue to constrain the effectiveness of India's ambitions and transition into a global power.<sup>44</sup>

## Southeast Asia

The Southeast Asian economies are still relatively poor compared with the rest of the Asia-Pacific region, but they are likely to continue to experience robust economic growth. At the same time, political and social turmoil are a distinct possibility, though it is unlikely that such instability would extend across borders or affect the region at large. China's economic influence in this region will be an important factor affecting both economic and political developments. Beijing is proactively fostering economic growth, infrastructure investment, and commercial and resource linkages with the Southeast Asian states as part of its recent periphery diplomacy initiatives.

Such Chinese involvement, while producing higher standards of living, is also creating greater income inequality and fostering dependence in the region on the Chinese economy. These developments are producing resentment against excessive Chinese economic influence, especially in those countries (for example, Myanmar, Laos, and Cambodia) that receive significant Chinese investment but see limited spillover benefits. This resentment has generated riots and ethnic violence targeted at indigenous Chinese and will likely continue if perceptions of Chinese involvement remain negative.

## THAILAND

Although the global economic recession had a negative impact on Thailand's exports, the country has achieved steady growth over the past couple of years as a result of its pro-investment policies, well-developed infrastructure, and strong (primarily industrial and agricultural) export industries. Thailand's unemployment rate, at less than 1 percent of the labor force, is one of the lowest in the world. In 2013, the Thai government implemented a nationwide 300 baht (\$10) a day minimum wage policy. It has also passed reforms to lower tax rates on middle-income earners and earmarked \$75 billion for infrastructure spending over the next few years.

However, continued political unrest in the country has constrained Thailand's economic growth. In May 2014, General Prayuth Chan-ocha, the head of Thailand's army, declared martial law and staged a bloodless coup in response to continuing confrontations between the pro-government (red-shirt) and antigovernment (yellow-shirt) factions. As a result, the constitution was suspended (with the exception of clauses pertaining to the monarchy), and the government was dismissed. Protest leaders were detained, and public gatherings were limited. A temporary legislature appointed by the military selected Prayuth to be the country's interim prime minister; October 2015 has been given as a possible date for the next elections. A backdrop to this political instability are questions about the succession of the monarchy. The Thai king, Bhumibol Adulyadej, has been on the throne for almost seven decades. He enjoys widespread support and is seen as a stabilizing influence in Thai politics. But he is increasingly frail and, on the advice of his physicians, he canceled a scheduled public appearance on his 87th birthday in early December. His son, the heir apparent to the throne, is not as popular. The death of the king and the ensuing transition will be a seminal moment that could drastically change the nature of Thai politics.

#### VIETNAM

Vietnam, which has been in the process of transitioning from a centrally planned economy since 1986, joined the World Trade Organization in 2007 and has reaffirmed its commitment to economic modernization. Although the global economic recession negatively affected Vietnam's exports, they increased by more than 12 percent in 2013 and GDP growth has remained above 5 percent. State-owned enterprises account for almost 40 percent of GDP, and agriculture's share of output has decreased as industry's share has increased. Undercapitalization and nonperforming loans weigh heavily on the banking sector.

The government shifts between promoting growth, which has caused inflation, and pursuing macroeconomic stability through tighter monetary and fiscal control. In 2012, Vietnam introduced a "three pillar" economic reform agenda to restructure public investment, state-owned enterprises, and the banking sector. However, little progress has been made. Nevertheless, poverty in the country has declined significantly. Vietnam experienced rapid population growth after reunification in 1975, and although birth rates began to decline in the 1990s, almost 1 million people join the Vietnamese labor force every year, putting pressure on the government to create a sufficient number of jobs.

The Communist Party dominates the political space in Vietnam, which has seen relative stability since large-scale demonstrations against corruption and slowing economic growth in the early twenty-first century. In the party's most recent leadership transition, in January 2011, Nguyen Phu Trong was chosen to succeed Nong Duc Manh as the party's leader.

A notable departure from a pattern of stability took place in May 2014, when riots occurred after China's placement of an oil rig in waters claimed by Vietnam. The protests targeted Chinese citizens and businesses (most of which were actually Taiwanese) and resulted in the death and injury of several people. They culminated in the Chinese government's evacuation of its citizens. Although anti-Chinese sentiment was the basis for the protests and showcased resentment against Chinese involvement in the region, reports indicate that other grievances (such as the confiscation of land by officials and internment of political dissidents) also emerged during the riots.<sup>45</sup> In a country where political protests are quickly stopped, this suggests that a host of other complaints may exist and could cause additional instability in the future.

## INDONESIA

Indonesia has achieved a relatively high rate of economic growth over the past few years; the country's GDP grew by more than 6 percent each year in 2010–2012. In 2013, however, growth was lower (5.3 percent) and inflation was higher.

Although Indonesia was peaceful for much of Susilo Bambang Yudhoyono's presidential term (2004–2014), his administration was plagued by corruption scandals, which led to widespread disillusionment with the government. This disillusionment played a role in the 2014 election of Joko Widodo (popularly known as Jokowi), the former governor of Jakarta, as Indonesia's president. Although Jokowi clearly defeated former general Prabowo Subianto, the election was deeply divisive, with Prabowo alleging massive voter fraud.<sup>46</sup> Ultimately, the transfer of power was peaceful, but Jokowi will face a legislative challenge from Prabowo, who was able to form a large-majority coalition in parliament. This may hamstring Jokowi's ability to address pressing issues, such as outdated energy subsidies and the slowest level of growth in four years. Thus, in general, while Indonesia's new democracy signals an important improvement over the authoritarian past, political and economic corruption remains a major issue that could generate domestic instability in the future.

## THE PHILIPPINES

The Philippines' economy weathered the global economic downturn better than other countries in the region due to its minimal exposure to shaky international securities, large remittances from overseas Filipino workers, and lower dependence on exports. Moreover, the country's banking system is stable, international reserves are at all-time highs, and its stock market has been one of Asia's best performers. The country has high levels of debt but has been successful in financing its deficits through domestic and international markets thanks to increases in credit ratings on its sovereign debt. Despite these positive

trends and GDP growth exceeding 6 percent in 2012 and 2013, unemployment in the Philippines remains at around 7 percent with underemployment at nearly 20 percent.

The administration of Benigno “Noynoy” Aquino, the current president, has attempted to address these challenges by increasing the budgets for social welfare spending, education and health programs, and cash transfers to the poor. Although second terms are forbidden by the country’s constitution, Aquino has stated that he is amenable to a second term as president. It is unclear whether he will attempt to amend the constitution or if his statements are merely intended to keep his governing coalition together during the last two years of his term. A continuing fear of autocracy after the two-decade dictatorship of Ferdinand Marcos from 1965 to 1986 suggests that it is unlikely that Aquino would win a second term as president.<sup>47</sup>

### United States, Japan, and South Korea

The advanced industrialized democracies of the Asia-Pacific region are less likely to face severe social and political unrest than many of the other countries analyzed in this report. However, demographic and economic challenges, coupled with political paralysis and gridlock, could exert a significant impact on these countries’ security policies and behaviors, which could in turn shape the attitudes and policies of other countries in the region.

### THE UNITED STATES

The United States faces a range of social and demographic trends that could have an impact on its economic growth, defense spending, military power, and policy priorities over the next twenty to twenty-five years. These include, most notably, an aging population and the ballooning budgetary burden of old-age entitlements, as well as weaknesses in education and healthcare outcomes that could decrease U.S. competitiveness. In addition, high levels of income inequality and stagnating wages among the middle class present potential sources of future social unrest.

At the same time, however, the United States will continue to benefit from moderate growth in both overall population and the size of the military-age and working-age populations due to continued immigration and birth rates near population-replacement level. As a result, its demographic outlook is positive in comparison to those of China, Japan, and most advanced economies.<sup>48</sup> Moreover, the U.S. economic recovery in the past several years has been relatively strong, and unemployment has shrunk even though a general level of dissatisfaction with the economic situation remains widespread.

The political outlook is not so sanguine. Political polarization caused by gerrymandering and electoral pressures favoring intraparty ideological purification have led to increasing

gridlock that has made it difficult for Washington to address pressing fiscal and social challenges. Current electoral and legislative-judicial structures and incentives suggest that these trends are not likely to alter significantly over at least the short to medium term.<sup>49</sup>

## JAPAN

In Japan, the political outlook suggests that, in the aftermath of the impressive victory by the Liberal Democratic Party (LDP) and its New Komeito Party (NKP) coalition partner in the December 2014 Lower House election, the winds are blowing more strongly than ever in favor of Shinzo Abe. In two short years, the prime minister has brought a degree of unity and stability to Japanese governance not seen since the early 2000s. His December victory has given him four more years to pursue a reform agenda, albeit one that has yet to deliver on its promise of an economic revitalization of Japan.

Abe's foreign policy goals will continue to require coordination with the NKP, whose views differ sharply from those of Abe and his more hawkish wing of the LDP.

Meanwhile, it remains to be seen whether Abe will regard his electoral mandate as a green light to pursue revision of the antiwar article 9 of Japan's constitution, an issue that remains deeply divisive among Japanese voters. Moreover, having run a campaign asking voters for a mandate to pursue Abenomics even more vigorously, the prime minister will have to deliver the goods. If Abenomics is unsuccessful in rejuvenating the Japanese economy, the LDP's position could once again erode over time.<sup>50</sup>

The demographic outlook in Japan will also present significant challenges for Japanese society. According to official national statistics, deaths came to exceed births in Japan in the year 2007, and an overall population decline commenced in 2010.<sup>51</sup> The absolute size of Japan's working-age population began to fall in the mid-1990s and is set to shrink at a steadily increasing pace in the years ahead. Its fraction of total national population is also heading downward, and at an increasingly rapid pace.<sup>52</sup> The only demographic group set to increase in size over the coming decades is Japan's cohort of senior citizens.<sup>53</sup> This rapid aging of Japanese society may mean that Tokyo will not be able to revitalize its economy by relying simply on domestic demand.<sup>54</sup> Instead, unless Japanese productivity greatly improves, Japanese economic growth will depend upon exports to growing Asian markets, especially China.<sup>55</sup> Overall, Japan's impending demographic decline will constrain the realm of the possible for Japan as a major regional power.

## SOUTH KOREA

South Korea will face many of the same demographic challenges as Japan in the coming years, but significant social tensions are nevertheless unlikely. Economically, South Korea

has one of the richest economies in the region; its per capita income is more than triple China's. South Korea relies heavily on exports, but it has benefited more from demand in other parts of the world for its cost-effective and high-tech products than have other countries in the region. However, if the slow pace of U.S., European, and Japanese growth continues, South Korea will also be vulnerable to slower growth. Even if South Korea strengthens commercial ties with China to counterbalance this risk—and a proposed bilateral free trade agreement has made substantial progress in recent months and may be signed in 2015—a slowdown in Chinese economic growth to more sustainable levels could also put South Korean exports under pressure. Private consumption also faces medium-term constraints due to high household debt and low income growth. Finally, South Korea is also increasingly confronting challenges arising from stagnating wages and poor employment prospects for an increasingly educated population.<sup>56</sup>

For all its previous economic achievement, South Koreans are now more concerned with the distribution of wealth than with GDP growth rates. The political narrative in the country is one of an economically successful country with high inequality, a shortage of jobs for the younger generation, and a concentration of power in the hands of the *chaebol*—South Korea's business conglomerates. Park Geun-hye, the current president and a member of the conservative Saenuri Party, defeated the main liberal candidate, Moon Jae-in of the Democratic United Party, in the 2012 election. Both campaigned on the issue of "economic democratization" (curtailing the power of the *chaebol*) and increasing social security programs. Although the election was close, those in their twenties and thirties supported Moon while older generations overwhelmingly chose Park. In a country that is rapidly aging, this suggests a continued conservative slant in South Korean politics in the years to come.<sup>57</sup> The sinking of the Sewol ferry and subsequent death of more than 300 (mostly schoolchildren) in April 2014 sparked outrage in the country and fed into the predominant perception of a gap between the country's overall development and continued weakness in regulatory institutions.

## EFFECTS ON CONFLICT AND COOPERATION

States that would most likely experience the levels and types of domestic instability that would produce severely negative consequences for interstate relations and economic growth in the Asia-Pacific region are, first and foremost, North Korea, followed by Russia, China, Taiwan, India, and possibly Indonesia. Although several other Asian states, such as Myanmar, the Philippines, Vietnam, Laos, Cambodia, and Thailand, could also experience serious instability, the relatively small size of their populations and territory, limited involvement in the international economy, less important geostrategic location, and non-ally status (in most cases) would significantly reduce the impact of such instability on other states and on U.S. interests. That said, in several of these



states, domestic unrest could lead to attacks on economically ascendant overseas Chinese minorities, thus raising the possibility of direct Chinese political and economic pressure.

In addition, severe and prolonged domestic political and social instability or paralysis in the United States could exert a significant adverse political, economic, and military impact on the Asia-Pacific region. The upshot could be weakening the trade and investment capacities of the U.S. economy, undermining confidence in the capacity of the United States to sustain its security commitments in the region, and generally tarnishing the U.S. image and reputation as the leading global power possessing a vibrant and successful political and economic system. Similarly, political dysfunction and paralysis in other advanced democracies, such as Japan and South Korea, could affect their posture toward other states in the region, as well as the approach that other states adopt toward them.

**Chinese domestic instability could contribute to more confrontational or cooperative foreign relations depending on the source of instability. However, the Chinese leadership is unlikely to choose diversionary war tactics as a deliberate foreign policy strategy.**

Domestic instability, at a level that would severely weaken the regime and damage its legitimacy and governing capacity, is certainly a possibility over the next twenty-five years, though a relatively unlikely one. This could emerge primarily as a result of two factors: a severe economic crisis that, when combined with worsening levels of elite corruption, would result in domestic unrest, or a clear failure of the regime to protect China's sovereignty or territorial integrity against real or imagined external threats. The most severe level of instability would result from a combination of both scenarios occurring simultaneously. Such a "perfect storm" is less likely to occur, over even the long run, but it is possible that either factor could in itself instigate domestic instability.

Given China's geographical size, location, and growing importance to the regional and global economy, any severe and prolonged domestic political and social unrest in China would generate very broad consequences for the Asia region and beyond. In the case of a severe economic crisis, it is likely that Beijing would adopt a more inward-looking and externally cooperative policy approach to enable the leadership to conserve resources against internal insecurity and focus attention on preserving domestic order. In the case of territorial disputes or threats to China's sovereignty (including in Taiwan, Tibet, and Xinjiang), the Chinese leadership is more likely to adopt an assertive, nationalistic stance to meet the citizenry's nationalist demands. This scenario would have to be sufficiently severe, however, as to merit the risk of incurring losses in China's diplomatic and economic relationships in order to maintain domestic stability.

It is less clear how Beijing would react in the unlikely scenario that both economic instability and a perceived threat to China's sovereignty occurred simultaneously. Extrapolating from past behavior, however, it seems probable that Beijing would adopt



a more cooperative, inward-focused stance. Research on Chinese behavior has shown that domestic unrest in and of itself is not systematically correlated with greater Chinese involvement in militarized interstate disputes.

Historically—as Alastair Iain Johnston, M. Taylor Fravel, and other specialists on China’s external use of force have observed—although Chinese leaders have at times mobilized society and employed force against other powers during periods of internal instability and in response to perceived external challenges that questioned their domestic credibility as leaders, they have not done so purely to deflect attention from domestic discontent. In fact, with regard to territorial disputes, regime insecurity at home most often caused China to make major concessions abroad.<sup>58</sup>

In other words, domestic social instability alone is unlikely to lead Beijing to instigate serious military conflicts with other states; it could instead provide opportunities for cooperation between China, its neighbors, and the United States as Chinese leaders adopt more conciliatory foreign policies. However, as stated previously, if domestic protests center on foreign policy issues such as territorial disputes or nationalist historical grievances, the Chinese leadership could feel pressured into adopting a more confrontational stance toward such issues in order to shore up its legitimacy in a time of insecurity. Such a stance could inadvertently result in foreign crises, and even military conflict, especially in the absence of crisis management mechanisms with potential disputants.

Ultimately, though significantly more probable than conflict, an indefinite continuation of current trends in Chinese international policy—including Beijing’s relatively patient policy on the Taiwan issue and its generally peaceful approach to managing various sovereignty disputes with neighbors—should not be taken for granted. Planners and decisionmakers would be well served to consider the possibility that Chinese international policy could become more challenging over the next several decades.

**Although relatively unlikely, Chinese domestic instability could result in interne-cine leadership conflict, including civil-military struggles, with adverse implications for foreign relations.**

One important variable influencing the level of external aggressiveness or cooperation resulting from Chinese domestic instability is the political unity and factional makeup of the Chinese regime. Elite conflict could arise out of a sustained decline in China’s economic growth levels or the clear failure of the government to manage a serious crisis. Such conflict, particularly if it emerged over disagreements regarding the management of a national security crisis or foreign policy dispute, could lead to the rise of a much more nationalist and risk-accepting leadership than is currently prevalent in the upper echelons of the CCP. However, as with other scenarios of domestic unrest outlined above, the level of upheaval that could induce a complete recalculation of China’s overarching interest in maintaining a peaceful foreign policy environment (as opposed to limited

confrontations), although not inconceivable, is relatively unlikely to materialize within the time frame of this report.

It is important to note that the People's Liberation Army does not behave as a separate institutional force in Chinese power politics and within the most senior policy channels. The PLA is an intensely nationalist organization committed to a vigilant defense of national sovereignty and territorial integrity. PLA figures have at times exerted sporadic influence over foreign policy-related issues by expressing their views publicly, and by influencing or perhaps controlling the narrative regarding certain crises, such as during the 2001 EP-3 incident and the more recent dangerous buzzing of U.S. reconnaissance aircraft. However, such views do not necessarily translate into a cohesive, widespread, and explicitly enunciated institutional interest distinct from those of other Chinese organizations. Nor do they result in concerted, autonomous, ongoing external pressure on the senior civilian party leadership. The PLA's mandate is almost exclusively defined by its professional responsibilities, and both civilian and military elites in China remain unified by a commitment to regime survival and increasingly institutionalized norms of policy formulation and conflict resolution.

That said, while China's civilian Communist Party leadership wields ultimate authority over all major aspects of foreign policy, it most likely does not exert clear and decisive control over two interrelated types of operational military activities that can have significant implications for Chinese foreign relations: specific military tests and exercises, and military operations undertaken outside China's territorial borders, including activities in waters such as the East and South China Seas. Since Xi Jinping's ascension to power in late 2012, various efforts have reportedly been made to improve both central civilian control and the coordination of such activities among local entities, including through the establishment of the National Security Commission and Coast Guard. Such efforts on balance will likely be conducive to enhanced crisis management and cooperation among China, its Asian neighbors, and the United States. However, while improvements in coordination between the PLA and the activities of China's civilian foreign affairs system and various civilian maritime law enforcement agencies are almost certain to continue, it is doubtful that they will entirely eliminate autonomous and destabilizing behavior by military and paramilitary entities. Accordingly, it is possible (though should not be assumed) that particularly aggressive actions resulting from military tests and exercises or military or paramilitary operations occurring outside of China's borders, particularly in the South and East China Seas, could occur without the central leadership's knowledge or blessing.

**While unlikely, Chinese domestic instability could also contribute to humanitarian disasters, such as refugee flows and famine.**

Even in the absence of leadership rifts and aggressive foreign policy actions, domestic instability could pose significant challenges to other countries as a result of possible

humanitarian events. Severe economic decline could result in serious famine, perhaps compounded by pandemics, environmental catastrophes, or other societal maladies, thus creating refugee flows that could destabilize neighboring countries from North Korea to Southeast Asia and beyond. However, economic dislocation large enough to generate massive refugee flows, or a lesser level of economic distress combined with a pandemic and/or environmental problems, are extremely difficult to imagine within the time frame of this report, barring a complete economic and societal collapse accompanied by radical political upheaval—which, as described above, are highly unlikely.

**North Korean instability could spark major regional tensions and possibly armed conflict but also present a potential source of cooperation between key states.**

A combination of severe economic decline, deeper rifts within the North Korean political and military elite, and external pressures could combine to produce the collapse or near-collapse of the North Korean regime within this time frame. Such severe instability could produce sizable refugee flows, internal armed conflict among contending groups, and possibly highly provocative actions by North Korean actors, perhaps going beyond long-range missile and nuclear tests to such actions as military strikes on South Korea, Japan, or U.S. military bases in South Korea or Japan. Such actions could lead to armed responses from South Korea and the United States and the prospect of a “loose nukes” scenario. They could also precipitate a successful armed coup by elements of the Korean People’s Army, resulting in an uncertain level of stability, at least for a time. All in all, severe domestic instability in North Korea, while potentially beneficial to regional peace and prosperity over the long term if it results in the collapse of the North Korean regime and the reunification of Korea under Seoul’s leadership, could nonetheless produce enormous regional tensions, instability, and possibly armed conflict in the short to medium term. Such instability would, of course, be magnified if it were to occur alongside severe domestic instability in China, creating a combination of economic disruption and potential armed conflict for many other states.

The major factors influencing the extent of broader regional conflict or cooperation in the event of major instability in North Korea include China’s response and the responses of South Korea, the United States, and Japan. Only in an extreme situation would China give up its hope of maintaining the territorial integrity of North Korea given Beijing’s conviction that any other result would be to China’s strategic disadvantage. That said, if the situation were dire, and if Beijing, Washington, and Seoul were able to coordinate an informal response to a collapse scenario, the prospect for misunderstandings and miscalculations could be diminished. The response would include everything from cooperative efforts to recover loose nukes to establishing order in North Korea.

In the absence of such cooperation, North Korean instability could escalate tensions and mistrust among China, South Korea, and United States. This would be particularly true

if Chinese and South Korean or U.S. troops were to come into contact in North Korean space and accidents or unforeseen incidents occurred. Similarly, if South Korean and U.S. forces pressed their advantage in a collapse scenario to bring about Korean unification without prearrangement with China, and particularly if U.S. troops lingered in what is currently North Korean territory, Beijing's long-held fears about possible U.S. ulterior motives in a Korean collapse would be confirmed and its relations with Washington would likely degrade significantly.

Across the region, North Korean instability or regime collapse would be highly likely to elicit calls from South Korea, Japan, and Australia for a coordinated response and strong cooperation. In situations short of collapse or major instability, it is less clear to what extent U.S. allies would want to incur risks by intervening on the Korean Peninsula. Japan's role in the overall response would be an extremely delicate issue in light of expected South Korean sensitivities, although Japan would play a significant part in any Korean contingency through its hosting of U.S. and UN Command bases on its territory. However, heightened regional concern and calls for a coordinated response are certain in the case of social, political, and economic disorder and violence on the Korean Peninsula, especially if such developments were accompanied by aggressive actions against foreign powers. In addition, in the best of circumstances, North Korean domestic instability might offer an opportunity for the United States and China to cooperate in promoting economic liberalization in North Korea of the sort that China initiated after the Cultural Revolution and the death of Mao Zedong.

**Domestic instability in Russia will likely increase over the medium to long term and could contribute to a more aggressive foreign policy, but such behavior is less likely in the immediate Asia-Pacific region.**

The combination of poor economic performance, an overreliance on energy exports, demographic and public health challenges, and a rising middle class suggests there will be some degree of domestic instability in Russia during the time frame covered in this report. In fact, an aging population, likely growing labor shortages, continued rampant alcoholism, a likely inadequate social welfare system, and internal ethnic tensions suggest that economic and social problems could become more severe over time, especially if energy exports cannot provide sufficient resources and Moscow proves unable to generate more diverse sources of wealth. In this sense, the potential for a protracted period of lower and much more volatile oil and gas prices based on recent global oil market changes has possible ominous implications for social and political stability. In the likely absence of positive change in these areas, the Russian government will almost certainly continue to remain heavily dependent, for its stability and legitimacy, on both energy sales and appeals to nationalist sentiments in favor of a strong, assertive government able to stand up to the West and nearby smaller states.

This could lead to more aggressive foreign policies, especially along the Russian periphery facing Europe and Central Asia. Such developments would become more likely in a Russia under Putin (or a similarly minded successor), given his proclivity for military intervention along Russia's borders, for example in Ukraine and Georgia.

The likely continued depopulation of both the Russian Far East and nearby Chinese regions suggests that domestic instability in Russia is unlikely to spill over into China in the form of refugee flows or local Chinese attempts to "annex" nearby Russian areas through massive cross-border migration. On the contrary, domestic instability in Russia, especially if combined with long-term Russo-Western tensions, would more likely increase Moscow's already strong incentives to maintain good relations with China, for investment, capital inflows, and new energy markets. A potentially lengthy period of lower oil and gas prices would accentuate Moscow's dependence on China for energy markets and new investment in energy exports and production.

**Taiwan's economy will grow increasingly dependent on its cross-strait ties with China, but Taiwanese politics remains potentially subject to shifts in provocative foreign policy directions.**

Many analysts seem to agree that Taiwan's ability to sustain reasonably high growth rates and continued increases in standards of living will depend in large part on its future economic relationship with China. As indicated, the Ma Ying-jeou government has made major advances since early 2008 in cross-strait shipping, air transportation, investment, and trade arrangements, and additional advances are planned. Such developments, in the larger context of overall improvements in the global economy and China's own economic recovery, are contributing to a major improvement in Taiwan's economic situation.

In addition, even if the opposition is able to regain power in the coming years, broad public attitudes on Taiwan suggest that Taiwanese political leaders and parties will find it difficult to advance their position by espousing strong independence or unification agendas in the absence of any clear shift in external conditions. This, in turn, could mitigate the polarizing conflict in Taiwan over national identity, at least in the short term, while sustaining the current overwhelming level of support (exceeding 80 percent) for some version of the status quo. While some in the older generation remain strongly committed to either unification or independence almost regardless of the consequences, and while free choice would doubtless lead to a vote for independence from all elements of Taiwan society if there were no threat from China, the reality is that most people in Taiwan are willing to focus on maintaining their standard of living and preserving their freedom as long as they can avoid a slide toward unification, which a strong majority (60 to 70 percent) opposes.

That said, despite basic divisions that will remain within Taiwan society over the island's political identity, most citizens will continue to support energetic efforts to preserve or

enlarge Taiwan's freedom of action and to expand its international presence. Moreover, while there is broad support in Taiwan for cross-strait economic, social, and other similar links, any cross-strait dialogue and intensification of contacts that threatens to lead to political integration will continue to confront strong opposition not only from the most committed pro-independence elements of the Pan-Green Coalition, but also from a broad base of people within more moderate elements of the Pan-Green and large numbers of Pan-Blue supporters. As discussed, concerns about increasing dependence on Beijing as a result of cross-strait ties were evident during the Sunflower Student Movement and November 2014 elections.

In general, possible future political scandals, economic difficulties, and the basic zero-sum mind-set of many Pan-Blue and Pan-Green political activists will almost certainly ensure that Taiwan politics will remain at least potentially unstable and subject to shifts in directions that Beijing or Washington might regard as provocative, at least in the near to medium terms. Because Beijing cannot afford to "lose" Taiwan and will accordingly continue to develop and deploy military capabilities of direct relevance to Taiwan, and because the United States will therefore continue to acquire and deploy capabilities designed to deter any Chinese use of force, any serious provocations from Taiwan could prove particularly dangerous. Whether Beijing can trust Washington to maintain controls on Taipei as it did in the Chen Shui-bian era (thereby obviating the necessity for Beijing to do so through coercive means) will depend a great deal on whether the U.S. government can maintain the delicate balance between deterrence and reassurance toward Beijing that is required to sustain stability in the Taiwan Strait.

A major downturn in China's economy could affect not only Taiwan's economy (now about 40 percent export-dependent on the Chinese market) but potentially also political and social stability on the island. If Taiwan's distress led to accusations against the incumbent administration in Taipei for creating excessive vulnerability to Chinese perturbations, the electoral prospects of the Democratic Progressive Party could be enhanced. We see that possibility arising now, though its impact on the 2016 presidential elections is uncertain at this point. In any case, however, even if the DPP were to win in 2016, the reality of China's dominant role in regional economics would constrain the DPP in any practical efforts to reduce dependence on mainland markets or to promote any provocative steps toward separate status.

**In India, persistence of weak domestic political institutions will likely constrain New Delhi's national security policies and geopolitical influence.**

In terms of domestic political institutions, a defensive Indian strategic culture and an ossified bureaucracy have stymied structural reforms of national security institutions while fostering obstructionist foreign policies. Such a dynamic was evident in the way New Delhi exploited ultranationalist sentiment in the 1990s in order to resist external

pressures to join the Comprehensive Nuclear Test Ban Treaty and participate in the civil nuclear initiative with the United States. The National Security Council, established in the early 2000s, has fallen victim to interagency tussles and has failed to coordinate effective national security decisionmaking. This has affected relations with the United States and the West. Overall, during at least the short to medium term, a weak national political leadership will continue to constrain the effectiveness of India's ambitions to become a globally active power, especially if Narendra Modi (or a future leader) fails to follow through on his campaign promises.<sup>59</sup> It may also limit New Delhi's negotiating power in difficult territorial disputes on its two fronts with Pakistan and China, particularly if a conservative Indian national security establishment is reluctant to make any concessions.

**Social instability in Southeast Asian states presents more potential for Chinese cooperation and aid than Chinese-related intervention or conflict.**

Instability in Southeast Asia could precipitate political or economic interventions, especially from China. Such intervention could occur if China felt it had a stake in preserving stability within the region, protecting expatriate nationals, or safeguarding corporate interests located in those countries. Military intervention, however, is extremely unlikely, given the probably severe blowback that would result from the international community.

Chinese intervention, particularly if it were seen as humanitarian and disinterested, would likely enhance Chinese credibility and build goodwill toward Beijing. Numerous unpredictable or external factors could lead to instability and internal displacement in Southeast Asian countries, including terrorism, pandemics, or natural disasters ranging from earthquakes and tsunamis to extreme weather and sea-level rise. If major powers in the region—among them China, the United States, Japan, India, and Australia—were to cooperate to provide humanitarian and economic assistance in coping with the effects of a disaster, habits of more regularized regional collaboration could be established. On a related note, should Beijing be successful in implementing its periphery diplomacy initiatives, effectively emphasizing economic cooperation and integration with the Southeast Asian region, a positive trend of mutually beneficial economic and political interdependence could eventually be produced while the tendency toward overly belligerent geopolitical behavior would be reduced. At the same time, growing Chinese economic influence over Southeast Asia could lead to greater tensions with Beijing under certain circumstances (see next point and discussions in subsequent chapters).

**Economic and social problems in Southeast Asia could increase nationalistic tensions and insecurity over territorial disputes with China, although they would also limit resources for a regional arms race.**

Generally speaking, a self-reinforcing cycle of social unrest and economic uncertainty in Southeast Asian countries, or fears of growing Chinese dominance, could make these nations more insecure and sensitive to resource and territorial nationalism, which in



turn could exacerbate tensions in territorial disputes within the Association of Southeast Asian Nations and with Beijing. At the same time, such trends, if they involve economic downturns, could make these countries less likely to invest in military buildups and more likely to direct limited budgetary resources toward social welfare and internal security, which could slow any future regional arms race. It could also place these countries at an even greater disadvantage in potential conflicts or deterrence efforts directed at China or other regional powers. Growing economic dependence on China could cause Southeast Asian states to mute their objections to Beijing over political and sovereignty disputes. Just as likely, this growing dependence could lead to greater sensitivity by Southeast Asian states to Chinese actions and renewed efforts to increase ties with the United States, Japan, and other nations. The ultimate impact of such growing dependence on China will likely depend on both Chinese and American policies toward Southeast Asia, as well as the long-term impact of rising nationalism on the foreign policies of claimant states, especially Vietnam and the Philippines.

**Domestic fiscal and political constraints in the United States, Japan, and (to a lesser extent) South Korea could limit allied defense capacities in the Western Pacific and any willingness to engage in a major use of force.**

In the United States, the collective impact of overall population growth, economic and employment growth below expected levels, and ballooning entitlement costs could significantly erode the share of the federal budget available for defense spending over the long term. Unchecked entitlement costs could produce debilitating second-order effects such as an increased national debt, higher borrowing costs, and depressed economic growth—each of which would serve as a constraint on defense spending. At the same time, entitlement costs could generate pressure within the defense budget that would squeeze out vital programs relevant to capabilities in the Western Pacific. Specifically, mounting obligations in pay, pensions, and healthcare could consume virtually all projected growth in the defense budget over the next two decades.

In short, dynamics in the social and demographic makeup of the United States over the next twenty to twenty-five years may exert a significant influence on U.S. policy and security strategy toward the Asia-Pacific region. Political dysfunction could exacerbate these trends if leaders in Washington were unable to undertake the kind of bold compromise reforms that could rein in the rising costs of entitlement obligations and other budgetary stresses. And that could shape and constrain the ability of policymakers to implement certain capabilities desired for the maintenance of security in Asia.

On a related note, such domestic challenges are one source of the rising tide of U.S. public opinion favoring restraint and retrenchment in foreign policy. Such attitudes could induce U.S. decisionmakers to favor less assertive military postures, particularly in conflicts or areas where U.S. vital interests are not directly at stake. However, for the time being,



although the American public is increasingly wary of projecting power in the Middle East, poll results suggest that a majority of Americans support the U.S. rebalance to Asia.<sup>60</sup>

In Japan, continuation of current demographic and economic trends will likely accentuate Japan's interest in stable relations with China and perhaps further tighten the already significant fiscal constraints on defense spending. They could also hasten Japan's relative decline in Asia and the world, although Japan's conservative political leadership seems determined to maintain its status as a major regional and global actor. Japanese relative economic capabilities are under considerable downward pressure. With a shrinking pool of young men of military age, an aging population, and rising domestic program commitments to compete against defense expenditures, there may be new constraints on conventional defense preparations in the coming years.

As noted, political and social realities in Japan will likely prevent major dramatic policy shifts, at least in the short to medium term. Among other things, this suggests that Tokyo is unlikely to take dramatic steps toward becoming a normal military power—for example, outright revision of article 9 of the constitution, significant increases in defense spending well beyond the politically important ceiling of 1 percent of gross national product, or the acquisition of nuclear weapons—barring a major threat from China, North Korea, or other foreign powers that significantly exceeds the perceived threat from such powers at present.

However, this will not preclude moderate reforms, such as the recent reinterpretation of article 9 to allow for collective self-defense or gradual absolute increases in defense spending, including for modernization of weapons systems.<sup>61</sup> None of this implies that Japan's relations with China or North Korea (or perhaps even South Korea) will necessarily stabilize or improve significantly in the future. Even under the above-mentioned constraints, Japan will likely remain able to improve its defense posture over time, thus contributing to a possible continued arms competition with Beijing. Much will depend on Beijing's attitude and behavior.

China will continue to be a key export market and important source of South Korea's economic growth, positively affecting bilateral ties. An increased reliance on domestic consumption driven by an emerging middle class would benefit South Korea's exports and trade surplus. At the same time, China is moving up the value chain and becoming a growing competitor for key export markets, which may lead to increased trade frictions. In addition, the need to address domestic economic and social welfare issues will likely continue to limit any increases in Seoul's defense spending. And South Korea will almost certainly continue to resist being dragged into any possible U.S.-China confrontation.



# DEFENSE SPENDING AND MILITARY CAPABILITIES



## OVERVIEW AND SIGNIFICANCE

Defense spending and military capabilities exert a significant impact on the likelihood of cooperation and competition within the Asia-Pacific region. Increasing levels of defense spending and enhanced military capabilities—military capital stocks and logistics, plus command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) infrastructure, and human capital—potentially threaten or deter other states. However, the nature and degree of the impact on other states depend not only on aggregate capacity, but also on the types of military capabilities acquired and what those capabilities signal about the state's national and transnational objectives, military doctrines, and approaches to the use of force (these last three factors will be discussed in greater detail in chapter 3). And, of course, the presence or absence of security assurances and various foreign policies undertaken by militarily modernizing states play a major role.

## INTRODUCTION OF THE VARIABLES

### Economic Growth

Levels of defense spending are roughly correlated with gross domestic product (GDP) size and growth rates (figures 2.1 and 2.2). A country that consistently spends 4–5 percent of

its annual GDP on defense over many years, and increases its absolute level of spending as GDP rises, will possess greater military capacity than a country that spends far less of its GDP on defense. Of course, actual annual defense outlays can vary markedly within broad parameters of economic capacity as a result of leadership priorities, varying threat perceptions, or changes in civil-military relations.

### Threat Perceptions

The presence and nature of alliance structures can affect threat perceptions and, in turn, defense spending and military capabilities. For example, long-standing alliances with the United States have allowed Japan and South Korea to rely on U.S. military capabilities for security guarantees, thus reducing the need and desire for domestic defense spending. This has also appeared to be the case in Taiwan. Conversely, states that see themselves as the targets of alliance structures (such as China and North Korea) have a greater incentive to increase their own defense spending and military capital stocks.

### Elite Opinion

National leaderships more committed to an aggressive, adversarial set of military policies would be more likely to direct or authorize a range of threatening developments. This could lead to an even greater emphasis on increasing defense spending, attaining new military capabilities, and defending core interests linked to regime legitimacy—including territorial sovereignty claims.

### Bureaucratic Politics and Local Political Behavior

Competition over resources among different elements of the bureaucracy and among different branches of the military can also influence levels and types of military spending and military capabilities. In addition, local politicians can push or encourage high levels of defense spending in order to reap economic benefits for their areas, in the form of military bases and procurement orders for local factories.

### Military-Industrial Capacity and Technological Developments

Obviously, a nation's overall industrial prowess and technological capability can greatly affect the size and sophistication of its military forces. Although financial resources can significantly influence capabilities in these areas, broader incentive structures associated with patterns of industrial organization and levels of technological innovation also play a critical role. In general, societies with rigid, noncompetitive industrial structures and

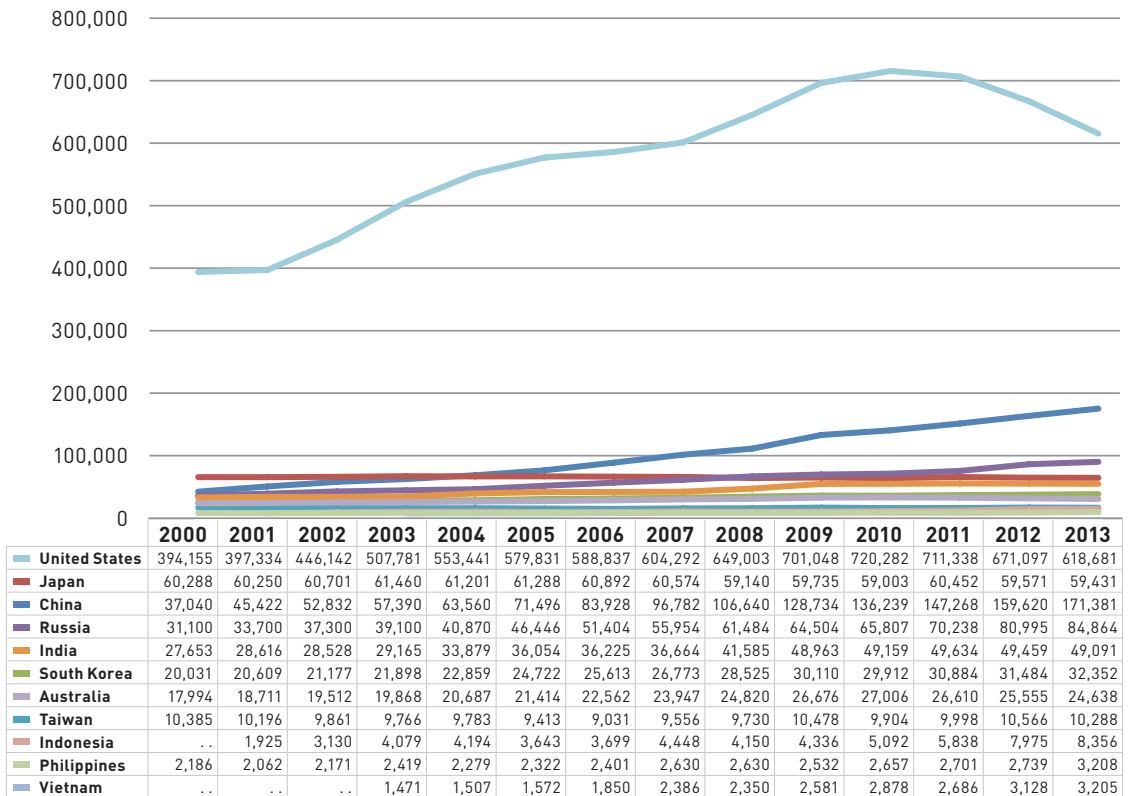
technology bases are less able to generate sustained levels of high-quality, technologically advanced and efficient military systems, especially over the long run.

### Military Organization, Leadership, and Experience

Lastly, the internal structure, leadership quality, and combat experience (or lack thereof) of a nation's military establishment can exert an important, and probably decisive, influence on its military capabilities. Corrupt and unprofessional military systems—evident in many developing states—clearly operate at a disadvantage when compared with their more professional colleagues in other (usually more developed) nations. And direct, recent experience in military missions, especially combat missions, obviously provides a critical advantage when one compares military capabilities.

## THE VARIABLES IN THE ASIA-PACIFIC

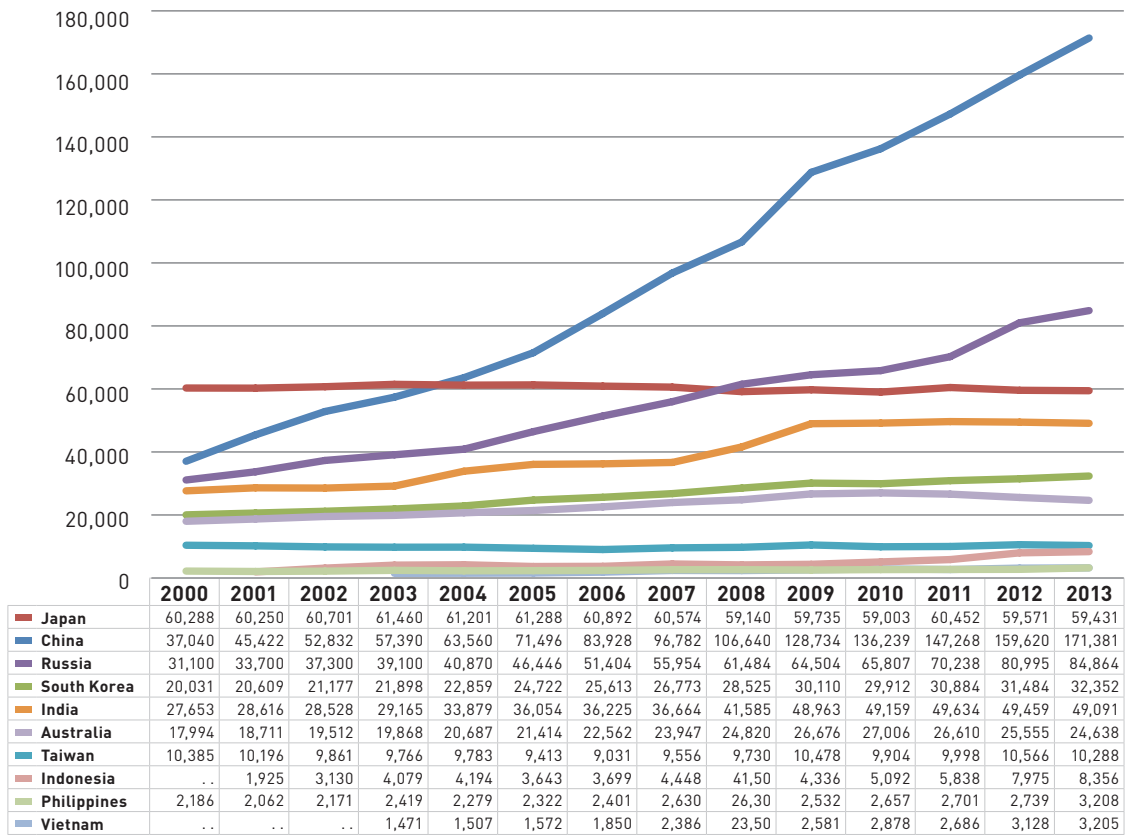
**FIGURE 2.1 Military Expenditure by Country (Including the United States), in Constant (2011) US\$ Millions, 2000–2013**



.. = Data unavailable

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.2 Military Expenditure by Country, in Constant (2011) US\$ Millions, 2000–2013**



.. = Data unavailable

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

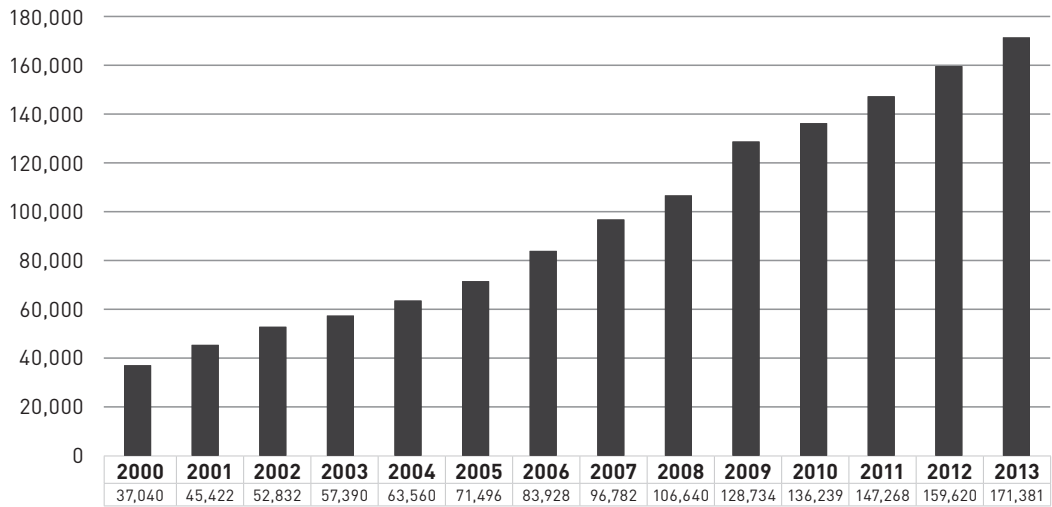
## China

In 2013, China's military expenditure increased by 7.4 percent in real terms. It was the fourth consecutive year that China's military expenditure has increased by less than 10 percent, reflecting slower economic growth in the aftermath of the 2008 financial crisis. (In 2009, as stimulus measures were enacted, China's military expenditure increased by 21 percent.) A nominal increase of 12.2 percent for the defense budget was announced in early 2014; with an inflation target of 3.5 percent, this would mean an 8.4 percent real increase (slightly higher than the GDP growth target of 7.5 percent). Overall, the growth rate in China's military expenditure is high by global standards, and military expenditure increased 170 percent between 2004 and 2013. China's military spending, at an estimated \$188 billion in 2013, is more than double what Russia spent on its military but still less than one-third of what the United States spent (figure 2.3).<sup>1</sup>

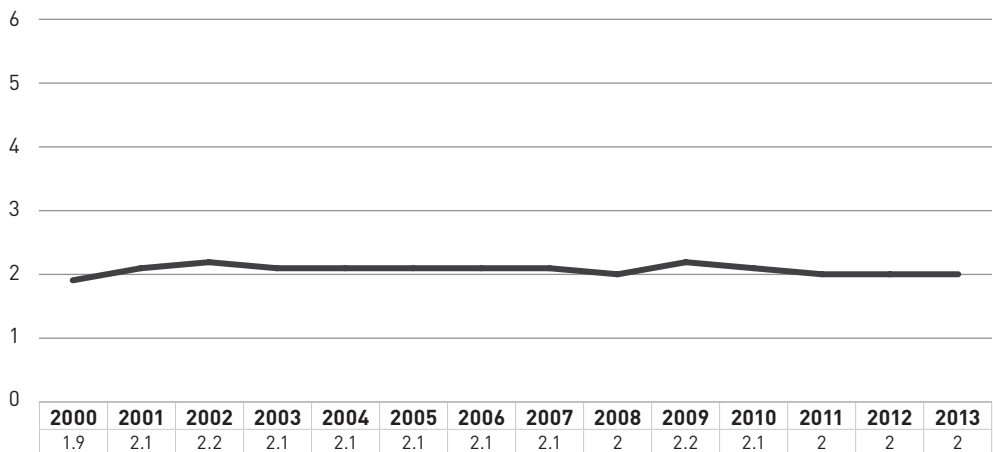
Most analysts expect that during the current decade China will sustain its double-digit increases in annual defense spending and continue to deploy advanced military platforms and technologies that are of concern to the United States. However, estimates for Chinese defense spending over the next twenty to twenty-five years are less clear, due largely to possible variations in economic growth and demands placed on government expenditures as a result of social tensions or other domestic needs.

Over the next five years, China's leadership will remain focused on sustaining high rates of growth through domestic investment in infrastructure, high levels of foreign trade, and increasing domestic consumption. Over the long term, China certainly faces significant social and economic challenges that could limit the rate of its defense spending increase. The most notable of these is perhaps its aging population. Higher spending on welfare programs for the elderly could restrain China's ability to sustain high rates of growth and make substantial investments in its armed forces. At the same time, it is important to keep in mind that defense spending in China will likely generate increasingly significant levels of spin-off for technological innovation in the civilian economy. This spin-off, the continued perceived threat posed by U.S. power in Asia, and unresolved sovereignty disputes with Japan and Vietnam, two militarily strong powers, make it unlikely that China will vastly reduce its level of military spending, absent a major improvement in the security environment in the Western Pacific.

In the near term, Chinese military expenditures as a share of GDP are unlikely to increase significantly above current levels of approximately 2 percent of GDP (figure 2.4).<sup>2</sup> On balance, Chinese military spending as a proportion of GDP will probably remain relatively constant, though it could increase marginally over the coming years as GDP growth slows. As a share of government expenditures, however, it could continue to decline gradually if the government keeps increasing spending in other critical areas (for example, social welfare, internal security, and green technology). In any event, even if China were to

**FIGURE 2.3 Military Expenditure: China, in Constant (2011) US\$ Millions, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.4 Military Expenditure as Percentage of Gross Domestic Product (GDP): China, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

increase spending in other areas as GDP growth simultaneously contracted, it is likely that China's military budget will continue to grow in absolute terms for the foreseeable future.

Under the conditions of significant Chinese economic decline, a revitalized U.S. economy, and continued U.S. military primacy, China's ability and willingness to sustain its military spending would depend in large part on the severity of China's economic decline and the



leadership's perceptions of threats to core national interests. Generally speaking, if China's external environment were marked by greater trust in international institutions and great-power cooperation, Beijing might actually reduce the rate of its increase in military spending as part of its efforts to achieve higher rates of overall economic growth.

Some observers argue that despite possible downward fluctuations in growth rates, Beijing will, in most cases, continue to possess the economic capacity to increase its defense spending significantly, as a share of both GDP and government expenditure. Such a major increase in spending is quite unlikely, however, due to the wide range of economic and social constraints (discussed in chapter 1), as well as the geopolitical, security, and diplomatic costs that China would incur from pursuing such a path. If, however, China were to simultaneously experience economic decline and clearly growing and more severe external threats than felt at present (particularly related to Taiwan, disputed maritime areas, and the U.S.-Japan alliance), China's military spending could increase more rapidly relative to both GDP and overall government expenditures.

Ultimately, in comparative terms, Beijing's overall level of defense spending will almost certainly lag behind that of the United States during the coming twenty to twenty-five years—both in absolute terms and as a share of GDP. By contrast, the gap between Beijing's and Tokyo's annual defense spending will almost certainly grow in coming years.

China's army leadership is exercised by four general headquarters or departments: the military, navy, air force, and Second Artillery Force. A lack of war-fighting experience (the People's Liberation Army, or PLA, has not conducted an external campaign in more than thirty years) and questions about training and morale suggest that China's military leadership lags behind that of most advanced armed forces. China is aware of this challenge and has made efforts to attract better-educated personnel and to build a professional noncommissioned officer corps.<sup>3</sup>

Although the PLA seeks to bolster its case for increased budgetary allocations, it does not determine the level of defense spending in China and is thus not in a position to dictate a substantial realignment of government expenditure toward the military. Concerning the composition of the Chinese defense budget, however, over time it is likely that more resources will be devoted to the navy and air force and less to the army. Although China does not release information on the distribution of its expenditure on the different services, its 2013 Defense White Paper places strong emphasis on maritime security issues. The report identifies building a blue-water navy as a priority and strongly emphasizes the need to ensure China's maritime rights and interests. China has implemented programs to modernize submarines and surface ships, expand its nuclear-powered attack submarines, and improve its missile destroyers and frigates. Its first aircraft carrier, the *Liaoning*, was introduced in 2012 from a foreign-procured hull, and China announced plans the following year to develop indigenously produced carriers. Such shifts could result in

greater support for an anti-access/area denial (A2/AD)-type of counterintervention strategy, which relies more on naval and air assets than ground forces.<sup>4</sup> Other responsibilities of the navy include protecting sea lines of communication, conducting antipiracy operations, providing disaster relief, and evacuating Chinese nationals.

China's nuclear modernization has been incremental and has focused on making qualitative—as opposed to quantitative—improvements in its forces to enhance the efficacy and survivability of a largely fixed number of warheads. At present, China's inventory of nuclear weapons consists of roughly 240 nuclear warheads, about fifty of which are intercontinental ballistic missiles capable of reaching the continental United States. As part of its effort to improve the survivability of its forces, China will continue to phase out its aging liquid-fueled missiles in favor of road-mobile, solid-fueled missiles such as the DF-31 and DF-31A, and to field maneuvering reentry vehicles, decoys, jamming devices, and other penetrating aids to thwart allied missile defenses.

Some Chinese analysts have advocated an expansion of the country's nuclear arsenal, but such arguments do not appear to have gained traction with the central authorities. China's official policy is that it will observe a moratorium on the production of fissile materials for weapons (even though it has not ratified the Comprehensive Test Ban Treaty). It is more likely that China will continue to maintain a minimal deterrence posture that largely precludes the use of its small nuclear force as an instrument of war fighting or coercion.<sup>5</sup>

A long-standing no-first-use policy imposes doctrinal and operational constraints on the Second Artillery Corps, as Chinese nuclear warheads are not mated with missiles except in times of elevated readiness or in preparation for launch.<sup>6</sup> That said, China did not repeat its customary pledge against the first use of nuclear weapons in its 2013 Defense White Paper, though subsequent statements denied that the exclusion was an indication of a change in policy. Although not particularly likely, it is not inconceivable that China could lower its nuclear threshold if it perceives an existential threat to its nuclear deterrent.

China's nuclear posture may feel pressure from shifting operational realities imposed by advances in allied conventional capabilities. Members of China's defense establishment have pointed to a trifecta of capabilities that could be combined to execute a decapitating first strike against China: space-based intelligence, surveillance, and reconnaissance (ISR) capable of tracking mobile targets, conventional prompt global strike systems, and ballistic missile defense networks. It is worth noting, however, that China has deliberately sought to cultivate ambiguity regarding the specifics of its nuclear doctrine, its decisionmaking calculus, and its force structure. To a great extent, China's resistance to transparency reflects the ample weaknesses that plague its nuclear capabilities and the vast disparities between the Second Artillery Corps' forces and those possessed by the United States and Russia.<sup>7</sup>

Over the past decade, the PLA has been building the space-based infrastructure for what may eventually serve as an integrated communications and command system. Although its current capabilities in space-based C4ISR are limited and still do not compare with those of the United States, China has modernized and expanded its communications and surveillance systems, particularly in the maritime environment, at a rapid pace in recent years.<sup>8</sup> The Qu Dian satellite communications system, whose inaugural satellite was launched in 2000, provides a command-and-control network somewhat analogous to the U.S. Joint Tactical Information Distribution System, linking the General Staff Department headquarters and service headquarters with military regions. China is also in the process of developing and deploying a network of navigation satellites known as the Beidou system that will eventually provide Beijing with an indigenous alternative to the Global Positioning System. Lastly, in 2007 China successfully tested an antisatellite vehicle against a defunct weather satellite, though at present its capabilities appear to be limited to targets in lower Earth orbit.

The importance of intelligence, surveillance, and reconnaissance activities in outer space, coupled with the inherent vulnerability of satellites, makes them attractive military targets.<sup>9</sup> It is increasingly clear not only that space domain advantages are truly significant to military operations but also that space denial is a basic fact of future warfare. In its essence, due to the vulnerability of the space domain, planners must envision and account for “a day without space” and thus be prepared both to significantly reduce their dependence on space and to impose the same potentially decapitating strictures upon their opponents.

Cybersecurity has become an area of growing mistrust and tension in the U.S.-China relationship. Much like space, cybernetworks are increasingly vital to civilian and military capabilities, but they remain vulnerable to attacks. Moreover, although cyberattacks can be undertaken by both national governments and independent actors, it is often difficult to discern the source of an attack. This lack of attribution can create an unstable and dangerous dynamic. As James Steinberg and Michael E. O’Hanlon write in *Strategic Reassurance and Resolve*, “The ability to attribute attacks is crucial for deterrence. If a potential victim is unable to credibly identify the source of the attack (either because of inherent difficulties in cyber attribution or the ability of the attacker to mask and/or deceive), the credibility of a retaliatory response is weakened and the pressures for rapid escalation grow. Yet uncertainty about attribution may lead one side to take risks assuming the other will be deterred from response by the ambiguity of the source of [the] attack—an assumption that may or may not hold in actuality.”<sup>10</sup>

There is evidence to suggest that China invests substantial resources in its cyberintelligence efforts and that numerous organizations within its armed forces have offensive cybercapabilities.<sup>11</sup> China may already possess the ability to infiltrate essential unclassified networks and disrupt key nodes in vulnerable networks at the outset of a conflict. Cyberattacks could be launched with the aim of disabling enemy C4ISR systems,

preventing the United States from deploying forces into the regional theater and possibly paving the way for joint firepower or anti-air raids. China would most likely target relatively unshielded, unclassified military networks such as Non-Classified Internet Protocol Router Network that are nevertheless crucial for C4ISR. (Civilian infrastructure such as power plants in cities would actually be a less appealing target due to the possibility of uncontrolled escalation.)<sup>12</sup> That said, cyberoperations alone would not turn the tide of a conflict, as they would not be able to completely incapacitate tactical operations on the ground. The United States would likely be able to defend and recover from such attacks relatively soon after the early attacks. At the same time, as China itself continues to modernize its forces and becomes more reliant on cybernetworks, it, too, is becoming more vulnerable to offensive cyberwar. There are some limited indications that China is attempting to prepare for this threat, though its defenses are certain to prove at least equally porous to those of the United States and probably more so.<sup>13</sup>

Over the next twenty to twenty-five years, it is likely that Beijing's investment in reforming and developing its domestic defense industry will enable it to make incremental progress in most sectors with the potential for notable innovations in a limited number of technological areas. China's Twelfth Five-Year Plan (2011–2015) identified the shipbuilding and electronic information industries as key sectors meriting further restructuring. Beijing has also placed a priority on developing advanced indigenous radar, counterspace capabilities, secure C4ISR, smart materials, and low-observable technologies by 2020.<sup>14</sup> Analysts identify missiles, shipbuilding, defense electronics, aviation, and certain space technologies as the areas where China has made the greatest headway in developing domestic production capabilities. These industries have proven particularly successful at being innovative, competitive, and globally integrated, in large part by fostering close ties between the civilian and defense industries.<sup>15</sup> China's strengths in these areas have translated into improvements in its submarine force, surface combatants, aircraft carrier program, naval aviation, and missile arsenals.<sup>16</sup>

Despite these advances, China faces major obstacles in indigenously producing the C4ISR and weapons technologies necessary to support the operation of its advanced hardware. According to the Pentagon, China's capabilities remain weak in fire control systems, cruise missiles, surface-to-air missiles, torpedo systems, sensors, and other advanced electronics.<sup>17</sup> Furthermore, high-technology capabilities such as high-performance computers, advanced applications software, and specialized top-end semiconductors and microprocessors have lagged behind, in part because they lack analogues in the civilian economy.<sup>18</sup> Such capabilities are crucial for the operation of advanced C4ISR systems and antiship ballistic missile guidance processes as well as the development of advanced aerojet engines and unmanned aerial combat vehicles. China's inability to produce such technologies domestically provides an obstacle to Beijing's efforts to wage information warfare and implement key anti-access strategies.<sup>19</sup> Analysts note that Beijing's development of its defense industries remains driven primarily by the state rather than the private sector—a

trend that has only intensified since China implemented its massive stimulus effort in the aftermath of the 2008 financial crisis. Some analysts identify this as a major structural impediment to China's achieving its defense objectives.

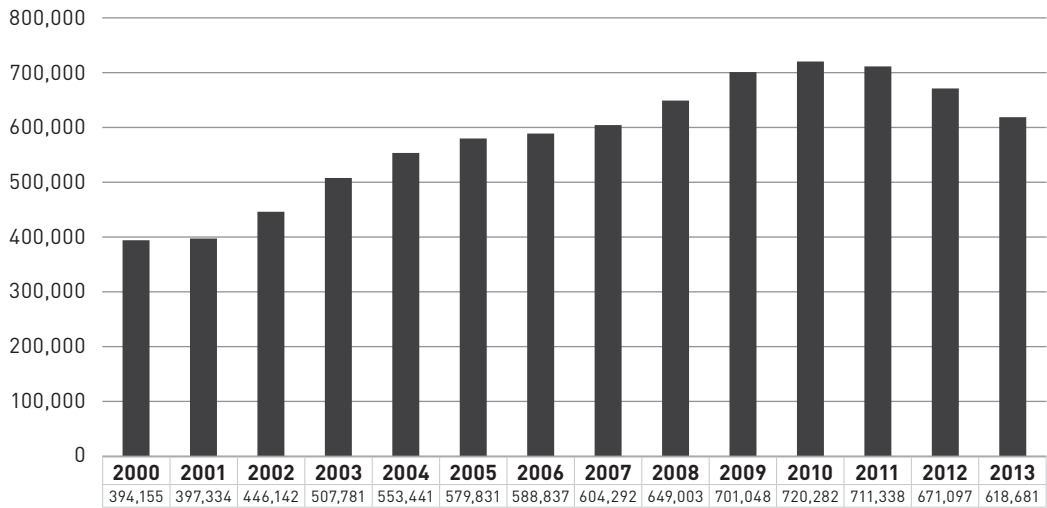
## United States

In 2013, U.S. military expenditures decreased by 7.8 percent in real terms, to \$640 billion. This drop was largely the result of decreased spending on Overseas Contingency Operations—due primarily to the U.S. withdrawal from Iraq—which accounted for \$20 billion of the \$45 billion nominal fall in spending. About \$16 billion of the decrease was due to sequestration cuts outlined in the 2011 Budget Control Act; fiscal year (FY) 2013 was the first year that the defense budget was subject to these cuts. However, as a result of a deal reached by Congress, sequestration cuts will be only partially applied in FY 2014 and 2015 (figure 2.5).<sup>20</sup>

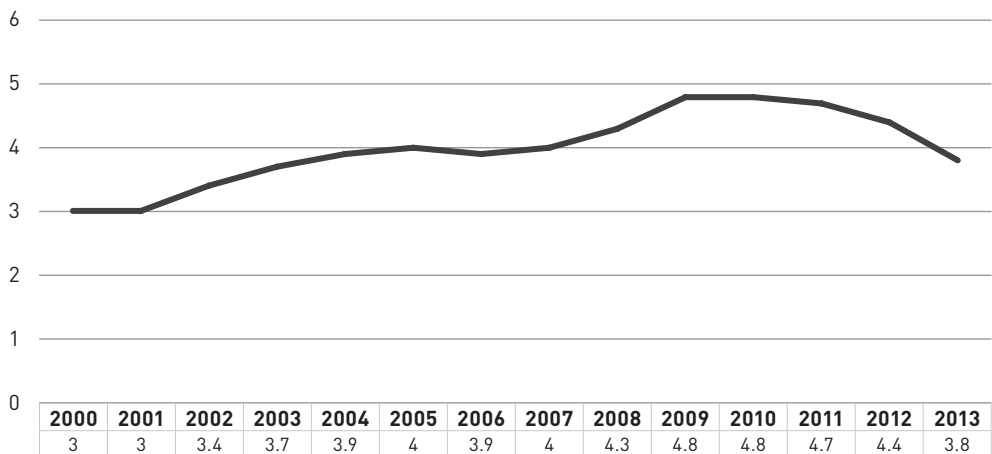
Structurally speaking, the ability of the United States to maintain a given level of defense spending will depend to a significant extent on its economic capacity. This includes not only growth rates and federal revenue, but also debt and other structural imbalances that could consume a greater proportion of the budget available for discretionary spending. These economic and budgetary conditions will likely act as variables that define the upper limits of the resources policymakers can devote to military spending over the short and long term.

A recovery from the U.S. economy's current sluggish pace would give U.S. leaders greater leeway in spending on the defense budget. Alternatively, a troubled economic climate would provide less opportunity to justify and sustain increases in deployments and capabilities, including for the Asia-Pacific region. Nevertheless, U.S. defense spending projections are not directly correlated with the growth of the U.S. economy (figure 2.6). Other factors such as threat perceptions, leadership views, or other intervening or exogenous variables could work in conjunction to produce less linear and more unpredictable defense spending outcomes. For example, Beijing's pursuit of more assertive policies that heightened the threat perceptions of U.S. policymakers would likely prompt calls for an increasing buildup of capabilities in the Western Pacific, even at the expense of domestic programs. Similarly, shifts in domestic politics or a reduction in threat perceptions could lead defense spending to stagnate or shrink.

Ultimately, the U.S. defense budget will most likely grow only slightly faster than inflation in the coming decades. The Congressional Budget Office predicts that the cost of executing the Pentagon's future plans will require the base budget to increase by an inflation-adjusted rate of 2 percent annually for the next five years and 0.5 percent until 2030. Actual defense spending growth will run slightly higher, if only because cost growth in key acquisition programs will necessitate additional funds to prevent delays and large

**FIGURE 2.5 Military Expenditure: United States in Constant (2011) US\$ Millions, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.6 Military Expenditure as Percentage of Gross Domestic Product (GDP): United States 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

cuts in orders. Most of the \$487 billion in cuts planned by the Obama administration will take effect over the next decade as the U.S. government adjusts to an era of moderate growth, flattening revenue, and rising entitlement costs. While the Pentagon's internal reforms could stem the tide of personnel expenses, spending on salaries, healthcare, and pensions will likely increase.<sup>21</sup>

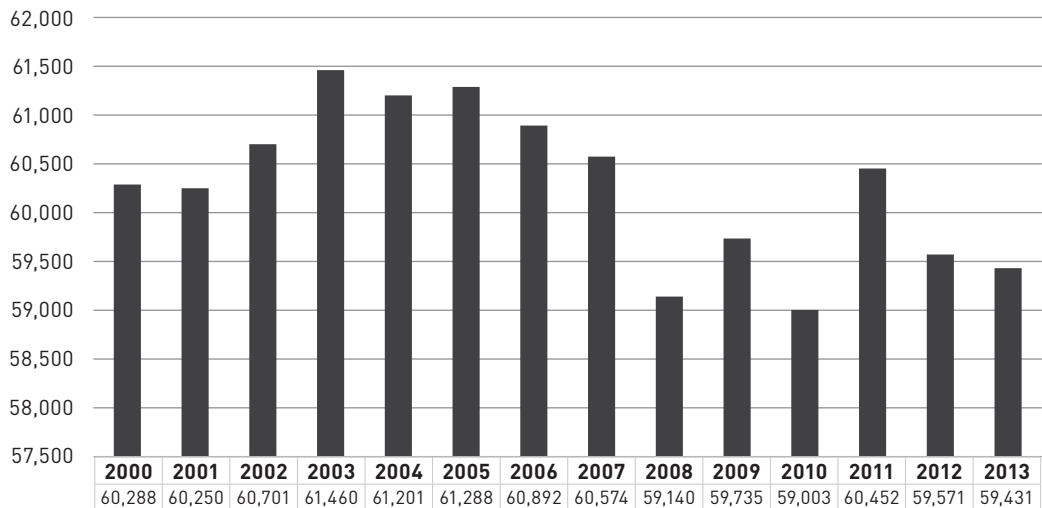
The accumulated legacy of conflicts in the Middle East and ongoing engagements across the world weigh heavily on policymakers looking to assess future commitments to the Asia-Pacific region. This includes costs associated with care for veterans and rapidly aging equipment. The U.S. military will continue to face challenges in allocating finite resources across multiple geographic theaters to manage a wide spectrum of potential contingencies, from counterinsurgency and stabilization missions to high-intensity conventional warfare. Ultimately, the impact of any given level of defense spending on allied capabilities in the Western Pacific will hinge on the ability of U.S. leaders to make careful allocation decisions in the face of objective material constraints. As part of its strategic rebalancing, the Obama administration has vowed to increase deployments in the Asia-Pacific region, insulating forces in the region from budgetary cutbacks. However, the feasibility of this pledge will hinge on trends in the U.S. economy and the various factors detailed above, making it by no means certain that future administrations will stand by such commitments.

As the U.S. Department of Defense and security establishment look beyond the wars in Iraq and Afghanistan, they have identified a number of new threats and potential missions. Foremost among assessments of emerging threats are a range of A2/AD types of capabilities that would asymmetrically challenge U.S. operational access in key areas of the globe, including the Asia-Pacific. Such A2/AD-type capabilities would seek to disable or undermine U.S. freedom of action by exploiting vulnerabilities in advanced precision-guided munitions, weaknesses in network systems, and the use of other technologies to limit U.S. naval and air power projection capabilities.

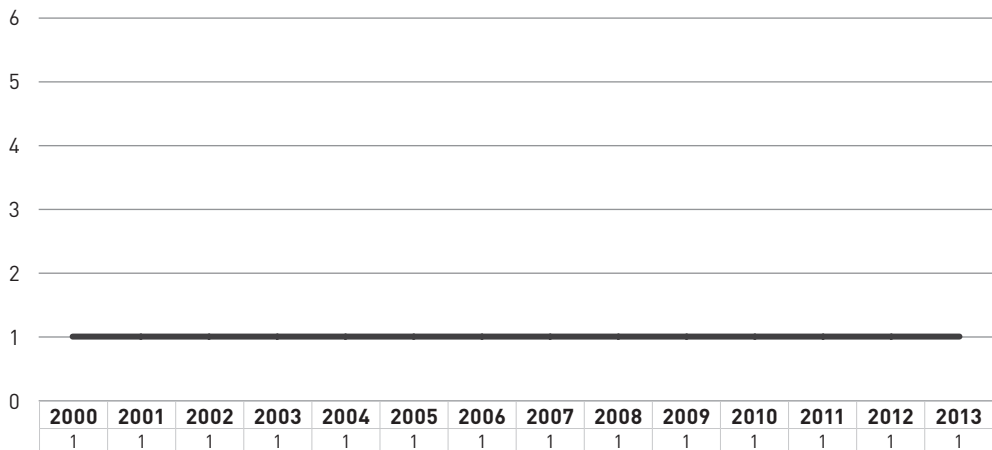
Despite such emerging threats, the U.S. military still enjoys significant advantages in C4ISR, operational experience, training quality, and numbers and technical sophistication of weaponry across a wide variety of areas. Nonetheless, one cannot assume that Washington will retain its current level of military superiority in the Western Pacific over the next twenty to twenty-five years given China's advancing military capabilities in A2/AD and related capabilities. This could be particularly true if the United States continues to direct substantial resources toward war efforts in the Middle East, such as the ongoing campaign against the Islamic State.

## Japan

Generally speaking, Japan's military expenditure has been gradually falling over the past decade (figure 2.7). Annual defense budgets shrank in both absolute size and as a share of the national budget, due in part to Japan's prolonged economic stagnation. Although the Nakasone cabinet formally rescinded the "1 percent of GNP" (gross national product) ceiling on defense expenditures during the mid-1980s, Japanese defense spending has generally remained below this level (figure 2.8). However, in 2013, the newly elected Abe government halted this trend and slightly increased the size of the defense budget, followed by additional increases in 2014 and in the proposed 2015 budget.

**FIGURE 2.7 Military Expenditure: Japan, in Constant (2011) US\$ Millions, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.8 Military Expenditure as Percentage of Gross Domestic Product (GDP): Japan 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

Tremendous Japanese political will in the context of an increasingly and strongly hostile China would be required to raise defense expenditures significantly above 1 percent of GNP. Spending even 1.2 to 1.3 percent of GNP on defense would entail a sharp discontinuity in Japan's current defense spending trajectory. In addition to political constraints, Japan's prolonged economic weakness will almost certainly continue for some time. This economic weakness, combined with the costs engendered by the rapid aging of Japanese



society, will likely continue to constrict the funds available for defense spending, absent a major, qualitative change in threat perceptions.<sup>22</sup>

Despite such limitations, in terms of equipment, Japan's Self-Defense Forces (JSDF) are the most modern Asian armed forces. Since the 1991 Gulf War, Tokyo has been careful to define, permit, and establish precedents in key capability areas. This involves a palpable attempt to walk a fine line domestically (where support for military operations and expenditures remains tepid at best), with the United States, and with Japan's regional neighbors, especially South Korea and China. These current and likely future areas of increased capability include the functions and equipment necessary for peacekeeping and humanitarian assistance or disaster relief operations, missile defense, airborne early warning, aerial refueling tankers and refueling kits for JSDF tactical aircraft, and Japan's constellation of surveillance satellites.

Japan's national defense program guidelines outline a need for the JSDF to respond to an increasing number of "gray zone" incidents, such as infringements on Japan's marine and air space. In the present climate of renewed concern over North Korean aggressiveness and Chinese operations, each of the forces that makes up the JSDF has gained a surprising degree of experience in deployed operations. Each force has, to the maximum extent possible, developed its capabilities through effective alliance cooperation with the United States and other third parties. The general political trend is to enlarge such cooperation—widely varied in intensity and complexity—as much as possible without removing the underlying constitutional and legal restrictions on external cooperation and internal operations. Taken together, operational capabilities and political precedents thus amount to a Japanese "force-in-being" strategy, with the implication that Tokyo can develop and deploy credible forces should it decide to do so.

Defense industrial base issues are particularly challenging in Japan given national policies such as the three principles on arms exports (no sales to Communist countries, countries under a UN Security Council arms export embargo, or countries involved in or likely to become involved in international conflict). These and other principles, policy pronouncements, administrative requirements, shortfalls in basic areas such as the handling of classified material and cultural approaches toward doing business with the Japanese government, have had a cumulative and stultifying effect upon Japan's defense industry. Japanese companies supplying the JSDF are neither technically competitive (with the exception of diesel submarines and warships) nor programmatically efficient. One obvious result has been that with no economies of scale in research and development, engineering, or manufacturing, the Japanese government pays a tremendous premium for its home-built defense equipment.

The recent relaxation of Japan's arms export control principles may somewhat alter this dynamic, as there are already corporate proposals on the table for more direct, relatively unencumbered industrial cooperation on the development of military systems.

Nevertheless, due to a plethora of constitutional, political, bureaucratic, and cultural impediments, bilateral alliance research, development, and acquisition programs have never taken off and will likely continue to face significant obstacles.

## South Korea

With the exception of the period that coincided with the Asian financial crisis of the late 1990s, South Korea's military spending has increased at a slow but steady rate (figure 2.9). Between 2004 and 2013, its spending grew by 42 percent, with a 2.8 percent increase occurring in 2013. South Korea's spending as a share of GDP has remained relatively fixed in the years since 2008 and stood at 2.8 percent in 2013 (figure 2.10).<sup>23</sup>

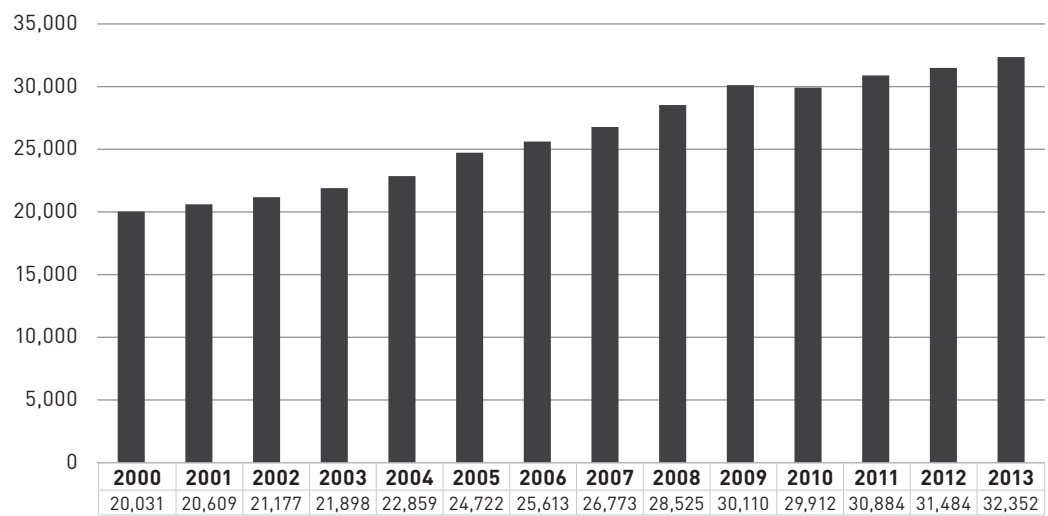
South Korea's primary strategic threat stems from North Korea. Tensions have increased on the Korean Peninsula in recent years; North Korea's sinking of the *Cheonan* and shelling of Yeonpyeong Island in 2010 are notable, as is its most recent nuclear test in February 2013.<sup>24</sup> Beyond North Korea, South Korea's defense policy encompasses protection of the country's sea lanes, the dispute with Japan over Dokdo/Takeshima Island, and the dispute with China over the Yellow Sea's Socotra Rock.<sup>25</sup>

Despite the acute tension with North Korea, military spending in South Korea is not unopposed. The South Korean National Assembly cut the government's proposed 2013 defense budget by 290 billion won (or 0.8 percent of total military spending) in favor of social programs.<sup>26</sup> The inability of South Korean governments to prevent the politicization of defense expenditures remains a major domestic constraint. Goals of annual increases in defense spending have been revised downward or not fully implemented, raising the question of whether planned defense programs will be adequately funded in the coming years. There is also popular opposition to the construction of a naval base on Jeju Island that would allow easy access to the East China Sea and broader Western Pacific.<sup>27</sup>

South Korea's alliance with the United States is the foundation of its defense policy, and Seoul is satisfied with having the United States in the driver's seat of the alliance. Accordingly, South Korea welcomed the deferral of the transfer of wartime operational control from the United States Forces Korea, Combined Forces Command, and the United Nations Command to South Korean forces past the previous 2015 deadline.<sup>28</sup> Nevertheless, when the transfer does take place, it will require that South Korea have in place a wider range of command and control, C4ISR, and counterartillery capabilities to ensure its ability to take the lead in its own defense. Accordingly, the defense planning, budgeting, and priority setting outlined in South Korea's last two white papers are focused on acquiring these capabilities.

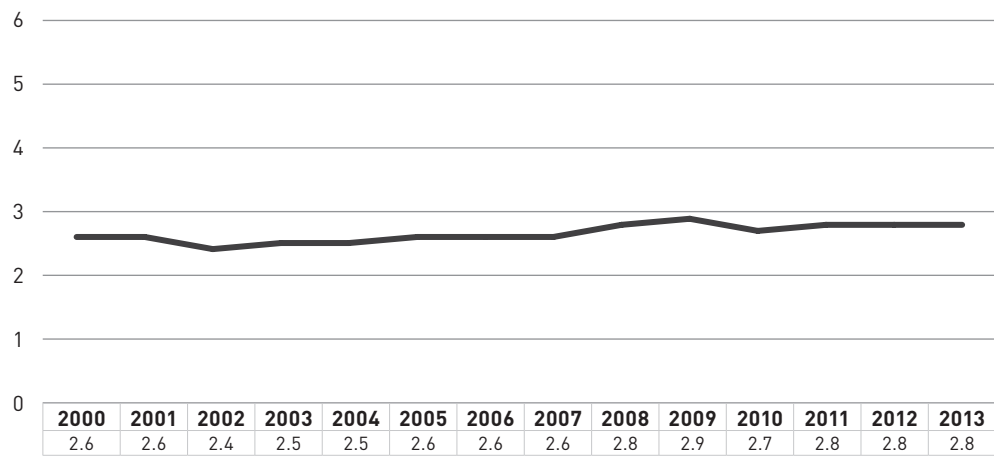
The main thrust of South Korean air, sea, and land defense modernization efforts continues to be directed at building up a modern, capable, and highly agile force whose

**FIGURE 2.9 Military Expenditure: South Korea in Constant (2011) US\$ Millions, 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.10 Military Expenditure as Percentage of Gross Domestic Product (GDP): South Korea 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

mission is to deter and, if necessary, defeat North Korean aggression. South Korea is developing active deterrence capabilities against North Korean attacks. This requires acquiring new ballistic and cruise missiles, improving capabilities for C4ISR, and developing ballistic missile systems.<sup>29</sup> Many systems and technologies will continue to have a Korean Peninsula–centric mission that focuses on ensuring that South Korea will maintain or expand its technological lead over the numerically superior North Korean forces.

South Korea is also enhancing cross-service cooperation by increasing the authority of the Joint Chiefs of Staff over the services. This move is aimed at increasing effectiveness in dealing with incidents such as the sinking of the corvette *Cheonan* and the shelling of Yeonpyeong Island.

Beyond its core mission of defending against North Korean aggression, recent South Korean defense plans indicate an increase in air and naval capabilities. Broader issues of concern to South Korean defense planners include defense needs after reunification, the safeguarding of sea lines of communication critical for economic and energy supplies, and maritime or territorial disputes (for example, clashes over fisheries, exclusive economic zone delimitations, or the Dokdo/Takeshima Island dispute with Japan). This is taking place amid an overall modernization and professionalization of the military, with an emphasis on technology, network-centric warfare, and joint operations. South Korea is also working to increase the ratio of officers and noncommissioned officers in the military with the goal of creating an elite force structure.<sup>30</sup>

Another priority of South Korean modernization, reform, and restructuring efforts is to enhance military capabilities that could be used in connection with international peacekeeping operations. This is a growing focus of the South Korean government and its military planners. There is strong domestic political and public support for South Korea's role as a major contributor to international peacekeeping operations.

## North Korea

Definitive economic data for North Korea's defense expenditures are unavailable. A new national slogan—*byungjin*—extols the simultaneous development of the nuclear program and the economy. However, as long as North Korea retains its nuclear-weapon program, it is likely to remain under international sanctions that significantly constrain economic development.<sup>31</sup>

North Korea's greatest challenge to regional peace and stability will continue to be its development of nuclear weapons and the means to deliver these weapons to regional targets. Kim Jong-un shows every sign that he is just as dedicated to the acquisition of nuclear weapons as was his father. North Korea is making significant strides in nuclear-weapon development; it has carried out three increasingly successful underground weapons tests and has tested medium- and long-range rockets that may eventually have the capability to deliver nuclear weapons to regional targets, including most U.S. military bases in the region. North Korea is working on warhead miniaturization, materials testing, and other technologies necessary to develop the ability to deliver low-yield warheads to regional targets. Whether such rockets currently have the ability to deliver nuclear weapons remains unclear, though the consensus view in the U.S. intelligence community is that they do not.<sup>32</sup> The U.S. nuclear deterrent and second-strike capabilities

seem likely to ensure that North Korea does not actually deploy its nuclear weapons against the United States or its allies.

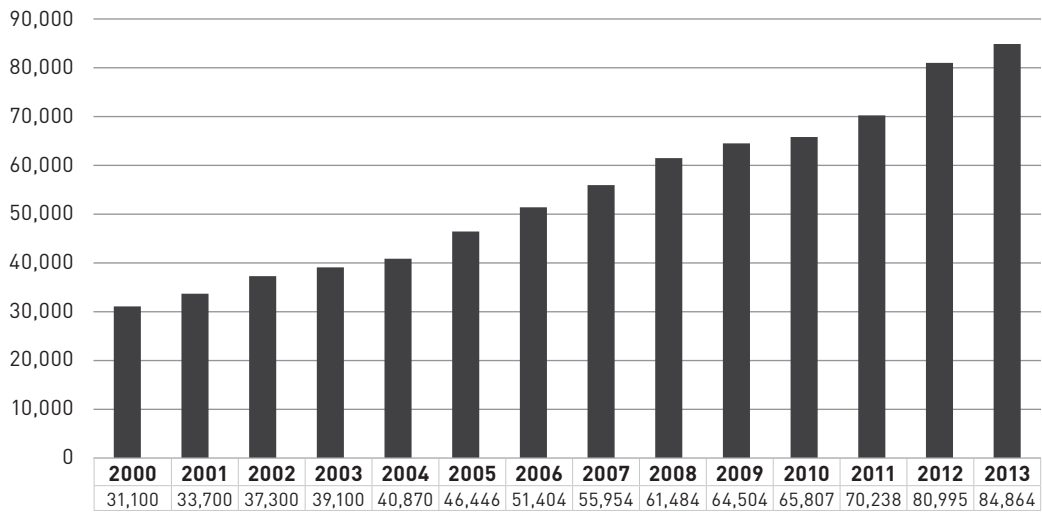
Nevertheless, if North Korea develops the capacity to conduct nuclear strikes in the region, this could undermine allied confidence in U.S. assurances of its readiness to defend allies against nuclear attack. North Korea's development of more sophisticated nuclear weapons is likely to be accompanied by rising unease among its neighbors, calls for others in the region to develop their own nuclear deterrent, and demands by U.S. allies and partners for more explicit and concrete assurances from the United States. Another major concern accompanying growth in North Korea's nuclear capabilities will be the possibility of nuclear proliferation. North Korea's record of engaging in proliferation is well documented, as is its willingness to flout international law and existing nonproliferation agreements and protocols.

Within a year of assuming power, Kim Jong-un purged the four top military leaders and dozens of others—presumably to replace them with individuals more loyal to him. In fact, under Kim Jong-un, the Korean People's Army (KPA) has lost its dominant place in North Korean politics to the Korean Workers' Party, including its control of revenue-generating enterprises. (Confiscating the KPA's control of economic ventures does not reflect a change in emphasis from military strength.) Nevertheless, these military purges have not provoked the kind of unrest that could result in a coup attempt and threaten Kim Jong-un's power. Whether the replacement of the senior military officers will have any foreign policy implications remains unclear.<sup>33</sup>

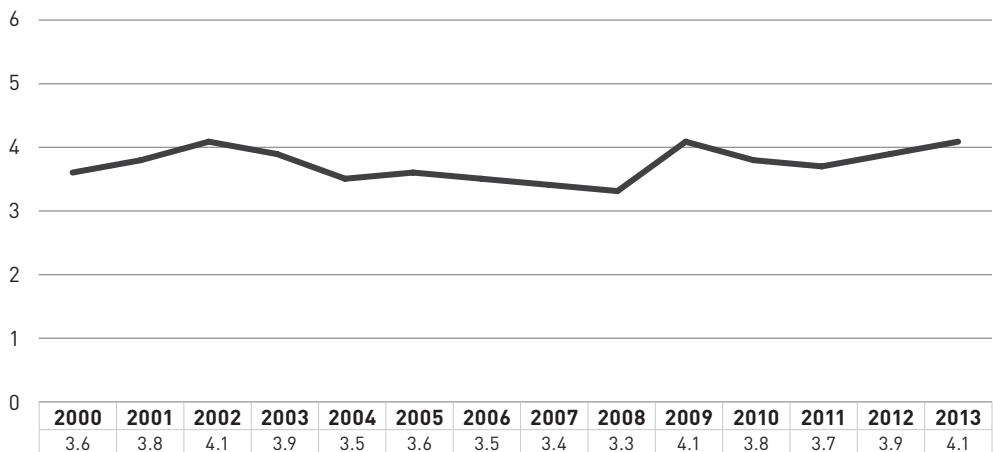
## Russia

Russia's armed forces and defense spending have changed significantly under Vladimir Putin. The military is one of the only sectors to receive large budget increases, with billions of dollars in new expenditures (figure 2.11). Real defense spending will be ramped up significantly from 2012 to 2015 and is projected to increase to about \$100 billion, or 3.9 percent of GDP per annum, by 2016 (figure 2.12).<sup>34</sup> This is small compared with the United States and is below China's level of defense spending. However, if sustained over several years, it will likely prove sufficient to support the new type of Russian force structure envisioned by a comprehensive multiagency strategy (composed of the Activity Plan 2013–2020 and a new State Defense Plan) that is being implemented. Apart from weapons systems upgrades, enhanced training exercises, and increases in personnel salaries and benefits, this includes force restructuring away from the mass mobilization model meant for large-scale conflict in favor of professional, smaller, and mobile force units geared toward lower-intensity regional warfare and permanent combat readiness.

Although increases in the defense budget may be possible over the next several years, absent significant economic reform, it seems increasingly likely that Russia will still have

**FIGURE 2.11 Military Expenditure: Russia in Constant (2011) US\$ Millions, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.12 Military Expenditure as Percentage of Gross Domestic Product (GDP): Russia 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

to cope with overall budget cuts over the long term. These economic challenges could have serious negative political repercussions not only for Putin, but also for successive Russian leaders. While likely to prove sufficient to conduct limited ground actions along its borders and in nearby areas, Russia will almost certainly not have the capability to create a major military (in other words, naval) presence of the sort that could fundamentally

alter strategic trajectories in the Asia-Pacific region. That is, unless the Russian economy is reformed in ways that permit major, sustained increases in overall growth well above current levels, an unlikely prospect (see chapter 1 for further discussion of this issue).

Even then, in a country dominated by the army, Moscow's maritime strategy will likely retain its traditional focus on strategic deterrence instead of global capability. Announced allocations of 25 percent of the military budget to the navy have not materialized, and naval modernization has slowed. Moreover, the shipbuilding industry is inadequate and characterized by poor quality manufacturing. Many inoperable submarines and ships render the Pacific Fleet far smaller than it appears on paper, and its defensive strategy reflects the lack of air support for maritime operations and concerns about U.S. long-range cruise missiles. Any future improvements in the Russian navy will likely focus on maintaining a seaborne nuclear deterrent, safeguarding the country's Pacific littorals, and exploiting the Arctic. Nevertheless, Russia remains a significant continental military power and is renewing its arsenal. The *Yury Dolgoruky*, the first of the Borei-class nuclear-powered, ballistic missile submarines (SSBNs), joined the fleet in early 2013.<sup>35</sup>

Given Russia's long-standing demographic difficulties, recruitment and staffing will remain major areas of concern over the medium to long term.<sup>36</sup> The Russian armed forces are undergoing a reform process begun by Defense Minister Anatoly Serdyukov in 2008 and continued by his successor, Sergei Shoigu. Reforms include an initiative to transform the army toward a combined arms brigade-based structure, an increase in pay rates, and the recruitment of contract personnel. This last initiative has been a challenge, particularly for noncommissioned officers and specialist roles. Force restructuring is also taking place; the establishment of the Special Operations Command is intended to improve the capabilities of a smaller armed force.<sup>37</sup>

Industrial capabilities vary significantly across Russia's defense sector. After the collapse of the Soviet Union and—with it—the defense industry, foreign orders helped prop up the industry. However, not all sectors benefited equally; some, due to the nature of their work (for example, strategic missile manufacturers), were unable to depend on foreign orders. As a result they lacked investment resources, contributing to variations in capability across the defense industry. The Russian government has introduced a \$610 billion State Armaments Program to 2020 to address some of these problems and has shown commitment in maintaining spending in the face of the country's lackluster economic performance. Another program aims to develop the defense industry by investing a \$65 billion to \$98 billion budget in new capacity and the refurbishment of production facilities. The government's Military-Industrial Commission, under the direction of the deputy prime minister, Dmitry Rogozin, since December 2011, has become more interventionist and has promoted consolidating Russia's wide-ranging defense industries into large corporate structures. As a result, the defense sector is now predominantly composed of large, state-owned corporations.

## Taiwan

Taiwan's defense budget continues to decline, from \$10.6 billion in 2012 to \$10.5 billion in 2013 (figure 2.13). Taiwan's current defense spending represents 2.1 percent of its GDP, a low matched only in 2006 and 2011 (figure 2.14). The budget has declined as Taiwan's military capabilities have also weakened relative to those of China. Although Taiwan has made some improvements in its military, it has primarily focused on sustaining existing capabilities, and China's modernization has made obsolete many of the advantages Taiwan used to have.<sup>38</sup> Ultimately, Taiwan's defense budget will likely remain at current levels with little incentive for significant increases due to improving cross-strait relations and the salience of domestic economic and social welfare issues.<sup>39</sup>

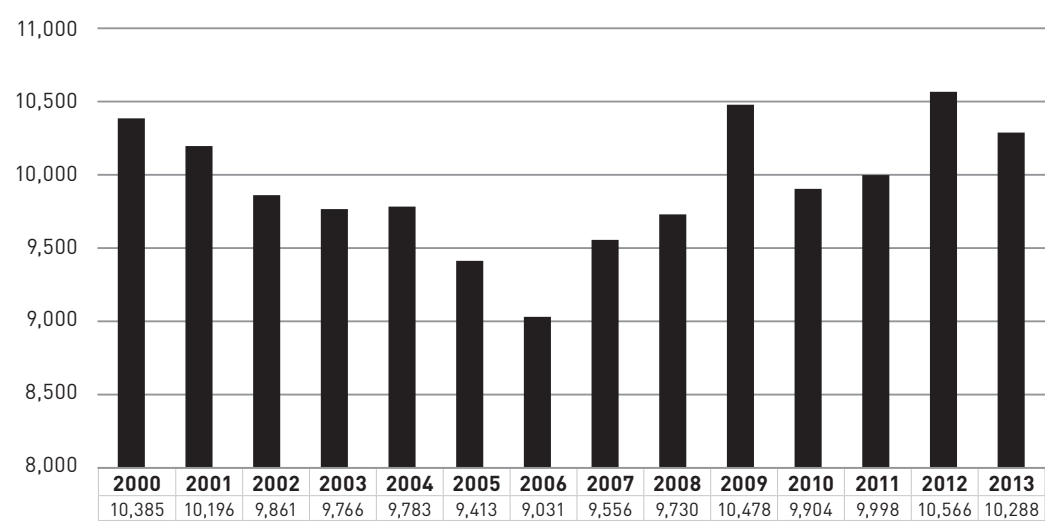
Taiwan's primary security objectives are to prevent China's efforts to force reunification and to maintain peace and stability across the Taiwan Strait. As long as the People's Liberation Army continues to modernize and expand, Taiwan will feel that it must maintain a military force adequate to deter an attack by China or hold out long enough to allow for others (presumably the United States) to come to its aid. Although the current Taiwanese president, Ma Ying-jeou, has worked to advance relations with Beijing, he has also unveiled ambitious plans to strengthen and streamline Taiwan's military. These plans focus on major improvements in passive and active defense capabilities (as opposed to long-range, offensive deterrence and preemptive forces), further reductions in personnel, and the transition to an all-volunteer force. The aim is to create a relatively small professional force that will benefit from close defense relations with the United States in terms of training, though it is unclear if such a force would be able to withstand a Chinese offensive.<sup>40</sup>

Ma's initiative is, in part, motivated by the need to demonstrate to Washington, the Taiwanese public, and members of the legislature that the Taiwanese government is committed to bolstering its military capabilities without provoking Beijing or spending excessive amounts of public funds. U.S. defense officials and analysts have expressed concern that Taiwan has not adequately strengthened its military capabilities to maintain deterrence against a potential Chinese attack and strengthen Taipei's hand in interactions with Beijing. It remains unclear if Ma's plan is feasible given domestic financial and political constraints on defense spending, let alone whether it will sufficiently reassure Washington militarily and politically.

One significant source of political problems concerns U.S. arms sales to Taiwan. Beijing continues to press Washington to end such sales, while Taipei is publicly and privately requesting more weapons, especially those likely to provoke Beijing's ire, such as advanced C/D versions of the F-16 fighter aircraft. In August 2011, rather than agreeing to sell Taiwan 66 C/Ds, the United States agreed to upgrade Taiwan's existing fleet of 145 F-16s to the latest standards.<sup>41</sup> This decision was apparently made primarily to avoid straining

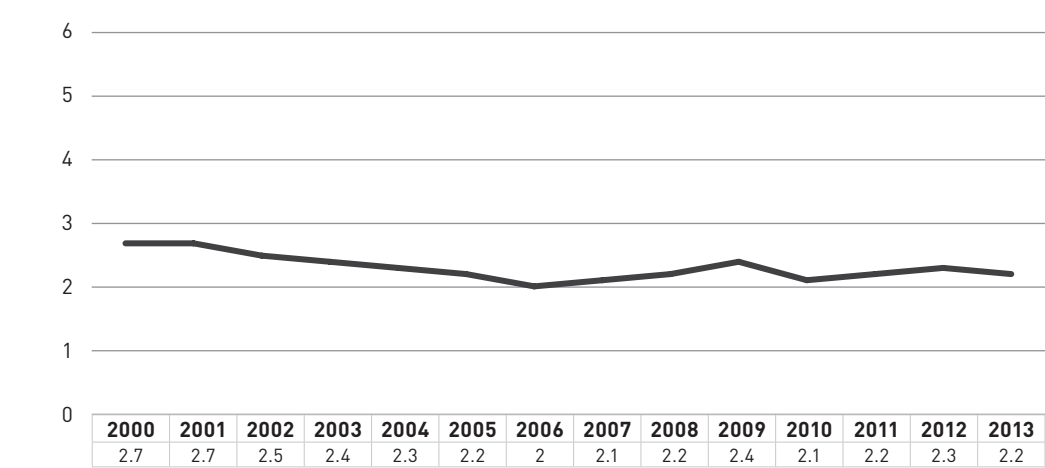


**FIGURE 2.13 Military Expenditure: Taiwan in Constant (2011) US\$ Millions, 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.14 Military Expenditure as Percentage of Gross Domestic Product (GDP): Taiwan 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

relations with China, though Taiwan has showed a limited ability to absorb previously approved weapons systems. More recently, however, Taipei has refocused its interest on submarines and has pressed Washington for the sale of submarines or, if that is not possible, for technology and training that would allow Taiwan to produce its own boats. Instead, the United States agreed to the upgrade of Taiwan’s existing fleet.

It remains to be seen if Taiwan will approach the growing cross-strait military imbalance with a greater sense of urgency or if it will increasingly rely on the political dimensions of its relationship with Beijing and the military protection of the United States. Short of significant political reconciliation across the Taiwan Strait, it is likely that Washington will continue to see the need to maintain some Taiwan deterrent capability against a Chinese use of force. As a result, unless Beijing significantly reduces the size and scope of its military threat to Taiwan, Washington will feel compelled to approve major weapons sales to Taipei at various times in the future.

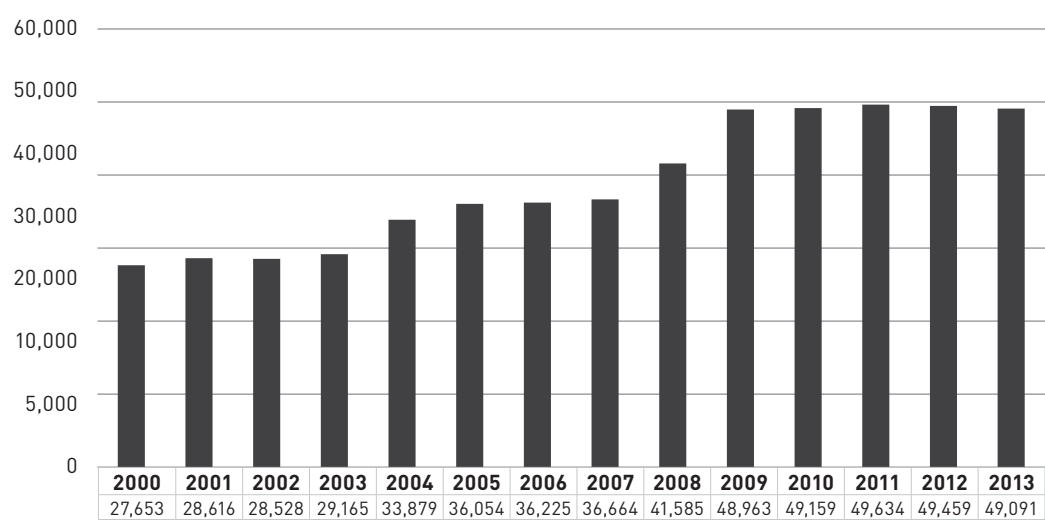
## India

After registering 9.3 percent GDP growth in 2010, the Indian economy slowed substantially, with growth falling to 4 percent in 2012. As a result of this slowdown in economic growth, the government restricted nominal defense budget growth to 5.3 percent in fiscal year (FY) 2014. However, double-digit inflation means that the FY 2014 budget still represents a real increase of 6.2 percent compared with the FY 2013 budget (figures 2.15 and 2.16).<sup>42</sup> In the future, Indian defense spending will likely continue to increase and possibly even accelerate, assuming robust economic growth and the continued expansion of New Delhi's economic and strategic interests beyond its immediate neighborhood. However, a failure to implement needed structural reforms and boost dynamic growth will severely limit India's defense and military capacity in the long run. Ultimately, India's economic and population growth will be a major factor shaping the Indian military's future budgets, personnel and technological resources, and rates of modernization.

In the coming years, China will emerge as a more acute security threat to India. This trend is the result of border tensions, China's buildup of military infrastructure in Tibet, People's Liberation Army Navy (PLAN) forays into the Indian Ocean, and Beijing's generally expanding influence in South Asia. New Delhi perceives a growing power differential between itself and Beijing, and it is thus likely that military modernization will shift from being directed at a potential conflict with Pakistan to resisting Chinese encroachment along the Line of Actual Control at India's northern border. In the absence of another India-Pakistan military clash, India will also seek to expand its capabilities in the maritime south.

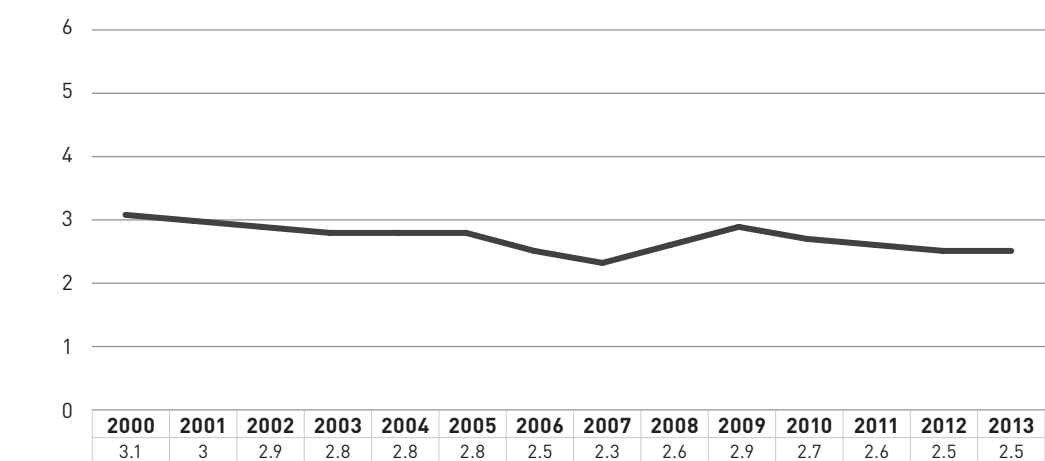
New Delhi is particularly concerned about Chinese military deployments and activities in the Indian Ocean and perceives PLAN development of aircraft carrier battle groups, lower-profile submarines, and advanced missile technology, along with "lily pads" for logistical support, as potentially threatening. India expressed concern when a Chinese nuclear-powered attack submarine (SSN), armed with land attack and antiship cruise missiles and torpedoes, made its first declared operational patrol in the Indian Ocean from December 2013 to February 2014. In contrast, India has no equivalent SSN

**FIGURE 2.15 Military Expenditure: India in Constant (2011) US\$ Millions, 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.16 Military Expenditure as Percentage of Gross Domestic Product (GDP): India 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

program; its first SSBN has yet to commence sea trials, and its conventionally powered submarines are in poor operational condition.<sup>43</sup>

To rectify this state of affairs, New Delhi is focusing its military modernization and expansion efforts on the Indian Navy. It has unveiled plans to build out its fleet to 150 ships by the late 2020s (including 15 stealth frigates, 12 guided missile destroyers, 18 to 20 submarines, and three aircraft carriers, plus 500 aircraft). Naval assets are also being transferred

from the Pakistan-focused Western Naval Command to the more China-focused Eastern Naval Command.<sup>44</sup> Other likely priority areas in India's military modernization and procurement processes over the coming decades include<sup>45</sup> logistics infrastructure, especially along border regions; C4ISR and cyberwarfare capabilities; fifth-generation fighters developed jointly with Russia; two aircraft carriers; conventional and nuclear-powered submarines; cruise missiles; smart mines; intermediate-range ballistic missiles with a range of up to 5,000 km; tri-service command in the Indian Ocean; strategic launch points on the Andaman and Nicobar island chain (although in the near term they would be too distant and expensive to maintain as a power-projection platform, which is not yet a dominant military priority); and nuclear assets. Despite being a priority, these developments could be limited by a poor defense industrial base that hampers the development of key military technologies. Possible enhanced partnership with the United States could result in technology transfer and joint development to facilitate this process.

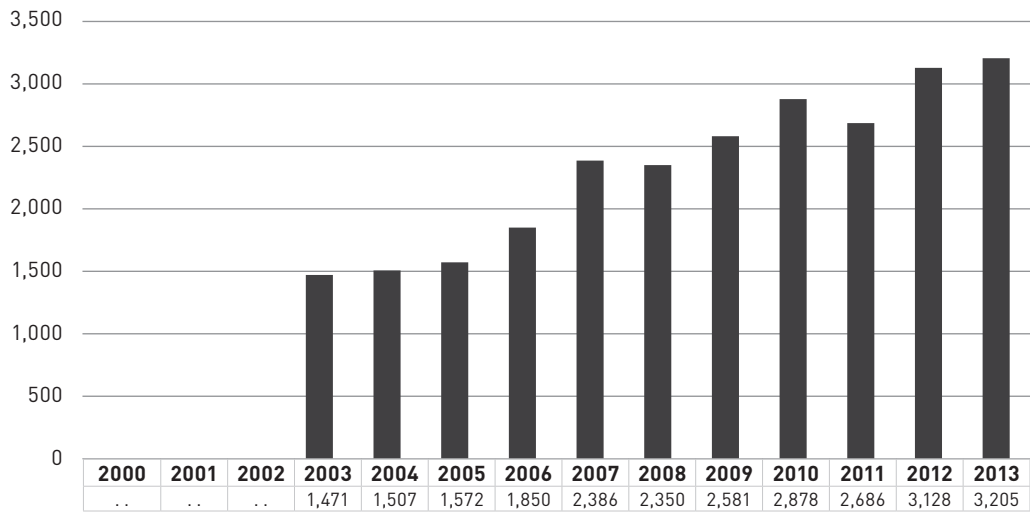
## Southeast Asia

Defense expenditures in Asia continue to increase. While East Asia dominates defense spending totals, real defense expenditures have been rising fastest in Southeast Asia, by 8.7 percent overall in 2013. The two largest year-on-year increases were in Indonesia (26.5 percent) and the Philippines (16.8 percent). Over the past five years, the most common procurement and upgrade targets in the region as a whole have been helicopters, transport and combat aircraft, frigates, patrol craft, and submarines.<sup>46</sup> Such trends in military modernization and force-structure response are likely to continue in the near to medium term and focus on naval and aviation capabilities given China's military modernization, growing maritime presence, and increasing clashes over South China Sea disputes. Some observers foresee that key Southeast Asian nations (notably Vietnam and Indonesia) will be increasingly inclined to shift from soft to hard forms of balancing. That is, states will no longer rely primarily on institution building or strategic partnerships with regional states and major powers, but also focus on national defense capabilities and more formalized alliances with other countries.<sup>47</sup>

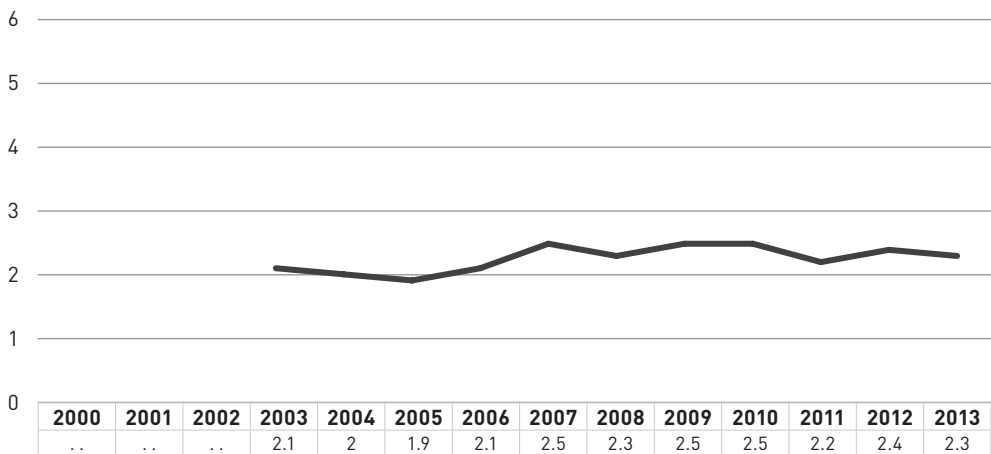
## VIETNAM

Vietnam's military expenditure amounted to \$3.4 billion in 2013 (figure 2.17). This represented a 113 percent increase in military expenditure between 2004 and 2013. However, the increase in expenditure between 2012 and 2013 was just 2.5 percent, possibly reflecting slower rates of economic growth (figure 2.18).<sup>48</sup>

Improving naval and air capabilities will continue to be critical for Vietnam, a major claimant in the South China Sea disputes. Rapid economic growth over the past decade has permitted a much-needed boost in defense spending, and Hanoi has made significant

**FIGURE 2.17 Military Expenditure: Vietnam in Constant (2011) US\$ Millions, 2000–2013**

.. = Data unavailable

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)**FIGURE 2.18 Military Expenditure as Percentage of Gross Domestic Product (GDP): Vietnam 2000–2013**

.. = Data unavailable

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

acquisitions, primarily from Russia. Six Kilo-class submarines are scheduled for delivery between 2014 and 2017, along with new surface combatants over the coming decade. These are likely to target China's traditional weakness in antisubmarine warfare, though Beijing is actively working to make improvements in these capabilities.

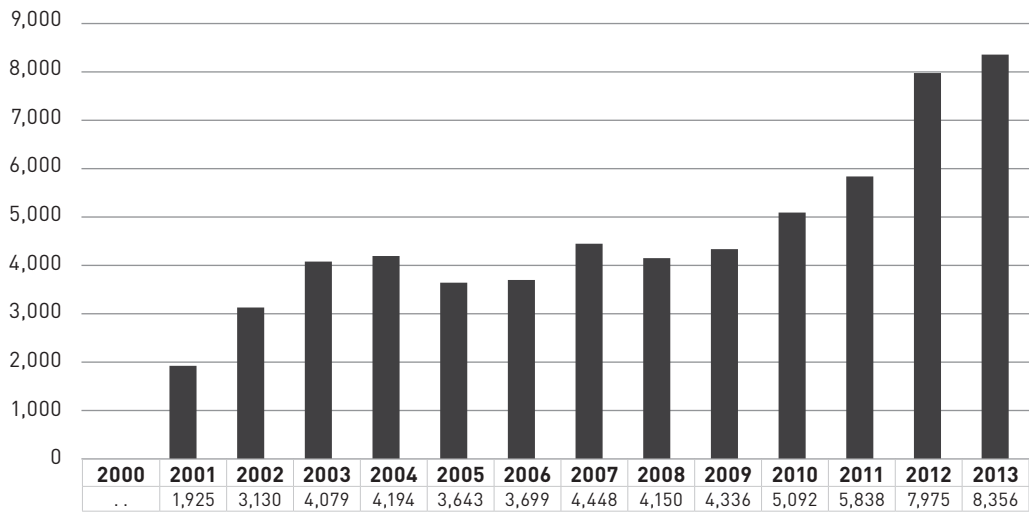
With regard to its air combat capabilities, Vietnam has recently ordered Russian Su-30MK aircraft to be delivered by 2015. Hanoi is also reportedly increasing technical collaboration with Russia to develop unmanned aerial vehicles and antiship missiles.<sup>49</sup> These developments point toward the implementation of an A2/AD strategy to help defend territorial claims over the Spratly Islands. Both Japan and the United States support Vietnam's considerable efforts to improve its coast guard capabilities, an important component in pushing back on maritime disputes. The U.S. State Department's announcement of \$18 million for maritime capacity building in Vietnam is largely symbolic but will go toward purchasing light patrol vessels.<sup>50</sup>

Although China is far ahead of Vietnam in its military capabilities, Vietnam has the potential to complicate Beijing's strategic calculations. Nevertheless, there are notable weaknesses in Vietnam's defense capabilities. For example, Vietnam is overreliant on Russia for weapons and military expertise, and it is inexperienced in operating complex weapons systems such as submarines, thus limiting its operational effectiveness.<sup>51</sup> Moreover, any U.S. attempts to develop defense agreements or sell weapons to Vietnam would be interpreted by Beijing as an effort to contain China. This would highly escalate both Vietnam-China and U.S.-China tensions.<sup>52</sup>

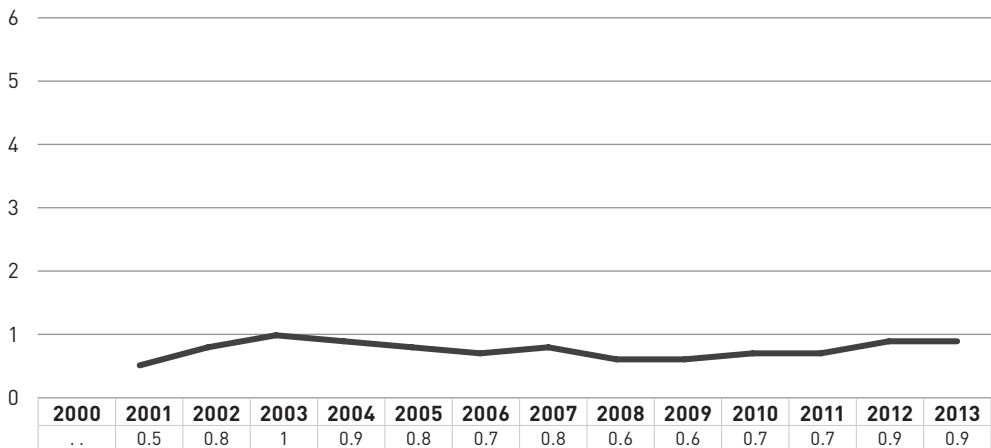
## INDONESIA

While the Indonesian military has traditionally focused on internal security and is poorly funded relative to the country's territorial and population size, a combination of strong economic growth, uncertainty about security issues in the region, and renewed leadership ambitions have driven a rise in defense expenditures (figure 2.19).<sup>53</sup> Indonesia is leading the way in real defense spending increases in Southeast Asia, with a compound annual growth rate of 12.4 percent since 2010, primarily to finance a multiyear acquisition program.<sup>54</sup> Overall, Indonesian military expenditure increased by 99 percent between 2004 and 2013.<sup>55</sup> Indonesia's increased focus on external security—part of an effort to protect its territory, coastal waters, and key international trade routes—has helped the Indonesian National Armed Forces (Tentara Nasional Indonesia, TNI) withdraw from politics and decrease its influence in the Indonesian economy.<sup>56</sup>

Jakarta procures equipment from diverse sources, including antiship missiles from Russia and new conventional submarines from South Korea. Indonesia also recently expressed interest in Kilo-class submarines to increase the size of its fleet to twelve by 2020.<sup>57</sup> Nevertheless, future modernization will begin from a low base, despite double-digit growth rates. Indonesia's defense budget is still under 1 percent of GDP (figure 2.20). Furthermore, its naval and air forces still lack the capabilities necessary to patrol its expansive territory (for example, antisubmarine warfare, reconnaissance, and fighter aircraft).<sup>58</sup>

**FIGURE 2.19 Military Expenditure: Indonesia in Constant (2011) US\$ Millions, 2000–2013**

.. = Data unavailable

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)**FIGURE 2.20 Military Expenditure as Percentage of Gross Domestic Product (GDP): Indonesia 2000–2013**

.. = Data unavailable

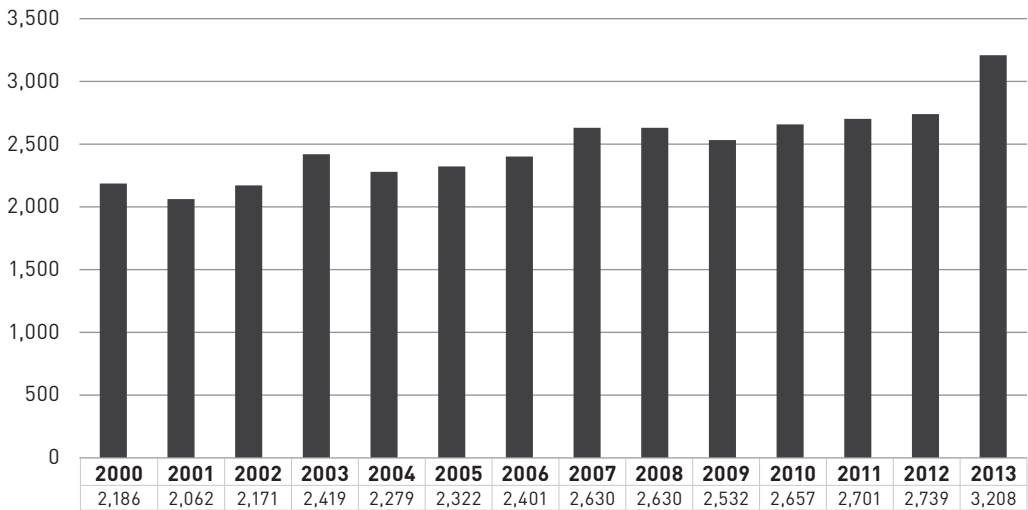
Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

It is believed that Indonesia's new president, Joko Widodo ("Jokowi"), will prioritize more externally oriented capacity development, particularly in improving the quality of technology, a more coordinated military structure, and cross-operational army, navy, and air force capabilities. Accordingly, it is possible that Indonesia will develop greater power projection capabilities to match its ambitions for regional leadership.<sup>59</sup>

## THE PHILIPPINES

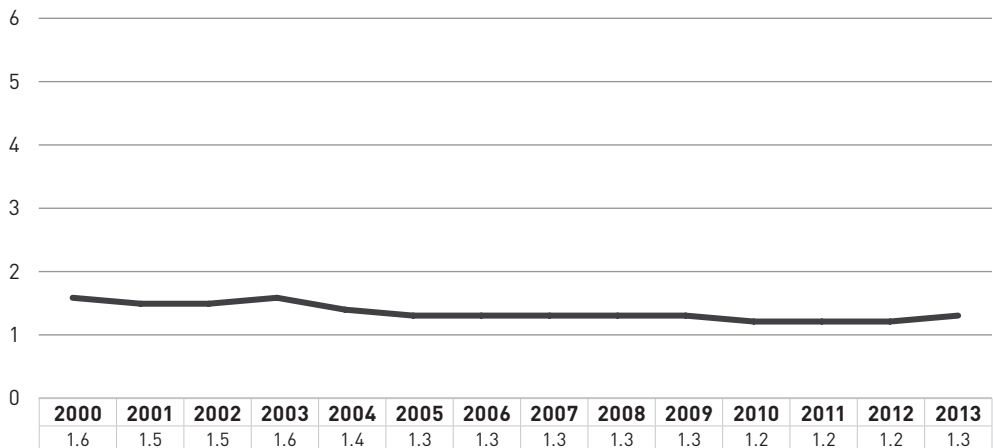
The Philippines has one of the lowest military expenditures in the Asia-Pacific region and until recently had made only modest increases in military spending (figure 2.21). As a result, the Philippines armed forces are generally seen as among the weakest in the region. The country does not have the naval or air capabilities to deter Chinese military

**FIGURE 2.21 Military Expenditure: The Philippines in Constant (2011) US\$ Millions, 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.22 Military Expenditure as Percentage of Gross Domestic Product (GDP): The Philippines 2000–2013**



Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)



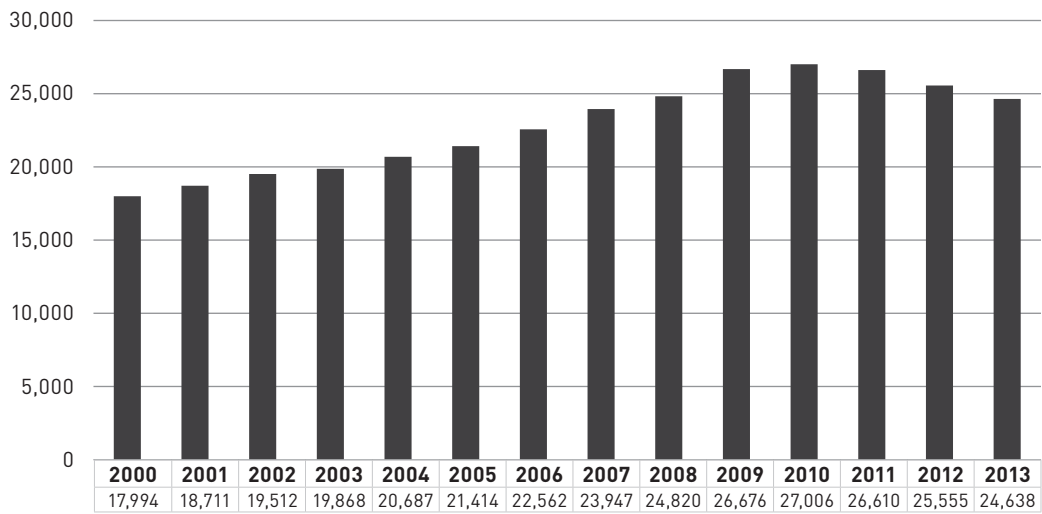
aggression, particularly around disputed islands in the South China Sea. Although the Philippines' coast guard has been relatively active, it is outmatched by increasingly capable Chinese paramilitary forces.

In the coming years, Manila will ramp up efforts for military modernization, allocating roughly \$1.8 billion of extra funding for equipment acquisition from 2013 to 2018.<sup>60</sup> In addition, it is focused on implementing a joint operational concept to integrate the different forces, create an enhanced C4ISR system, and develop a modern satellite communications network.<sup>61</sup> However, fiscal constraints may get in the way of its ambitious procurement plans (figure 2.22). Consequently, a weak foundation and long-term underfunding means that the Philippines will likely remain the weakest navy of the South China claimants (apart from Brunei). Manila aims to achieve effective governance of air and maritime space by 2027, demonstrating a shift in mind-set, but its poor military capabilities will require many years to address.

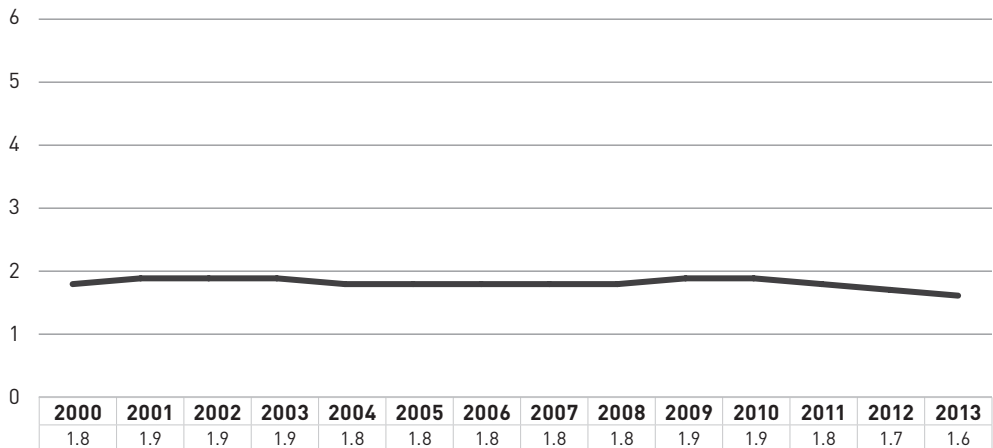
## Australia

Australia's military expenditure decreased in 2013 by 3.6 percent; this was the third consecutive year that military spending fell. Nevertheless, at \$24 billion, Australia's military expenditure was still 19 percent higher in 2013 than it had been in 2004 (figure 2.23). Moreover, the government intends to move ahead with objectives set out in the 2009 and 2013 Defense White Papers and has formulated long-term military spending plans to support them. In the long run, it is expected that military spending will increase from 1.6 percent of GDP to 2 percent (figure 2.24).<sup>62</sup>

Australia has a strong military with better technological and operational expertise than most countries in the region. This is aided significantly by its strong, developed economy and close alliance with the United States. Australian forces have high training standards and often participate in joint-service national, bilateral, and multinational exercises. Canberra is actively developing and advancing its maritime and air capabilities, including new conventional submarines, helicopter-capable amphibious assault vessels, and future procurement of up to 100 F-35 Joint Strike Fighters.<sup>63</sup> However, the ambitious vision presented in the Force 2030 White Paper—a more potent maritime force by the mid-2030s, with more submarines, cruise missiles, and surface combatants capable of antisubmarine warfare—is being threatened by defense budget cuts. As a result, some analysts project that Australia will experience a submarine capability gap into the late 2020s.<sup>64</sup> The marine and aircraft deployments to Australia's north as part of the alliance with the United States, which include American access to Australian defense bases and training ranges, could have an overall deterrent effect and deployment implications for Southeast Asia. However, they would probably not play a crucial role in the event of an East China Sea conflict.

**FIGURE 2.23 Military Expenditure: Australia in Constant (2011) US\$ Millions, 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

**FIGURE 2.24 Military Expenditure as Percentage of Gross Domestic Product (GDP): Australia 2000–2013**

Source: Data from SIPRI Military Expenditure Database, [www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database)

Australia's 2013 Defense White Paper recognizes China's increasing importance in the Pacific but does not describe it as an adversary. Rather, Australia aims to "[encourage] China's peaceful rise and [ensure] that strategic competition in the region does not lead to conflict."<sup>65</sup> Australia's relationship with the United States retains a prominent role, and the partnership only deepened in 2011 with the signing of two agreements. The first was an agreement allowing the deployment of U.S. Marine Corps personnel to the Northern

Territory to conduct exercises with the Australian Defense Force, while the second will allow increased rotations of U.S. aircraft in northern Australia. Australia will spend \$10.6 million to upgrade its military bases to accommodate these increased U.S. deployments.<sup>66</sup>

## EFFECTS ON CONFLICT AND COOPERATION

### **Security dilemmas and competition will likely increase amid growing military spending and capabilities.**

In the Asia-Pacific region, the potential is great for a spiraling cycle of interstate distrust and misperceptions. This is due to expanding national defense and military capacities—made possible by long-term economic growth trends in the region—and increased levels of nationalism in key states. The tendency toward greater security competition and tension is spurred not just by Chinese and North Korean military developments, but also by similar actions and counteractions by Japan, South Korea, and Southeast Asian states, as well as India and Australia. Such a development is particularly dangerous given the persisting context of worsening territorial disputes. Although U.S. alliance commitments have historically permitted restraints on defense spending among many regional states, a combination of U.S. fiscal constraints and perceived Chinese aggressiveness has sparked a steady, incremental shift among various regional actors toward acquiring more robust defense capabilities, a trend largely supported by Washington. This has not yet reached the level of clear arms racing, but it certainly has the potential to develop in that direction.

Increasing Chinese defense spending and military capabilities, even if commensurate with economic growth, will likely provoke uncertainty among other countries (including the United States). This is especially the case if the gap between U.S. and Chinese capabilities in key areas (such as sea denial and control) narrows and if the PLA is able to challenge—or at least call into question—U.S. and allied military operations in the region. A continued lack of transparency in military budgets would only add to the suspicion. Moreover, exaggerated misperceptions of the economic foundation for China's military capabilities (discussed below) and underappreciation of Chinese perceptions of their own relative weakness, could spawn hostile reactions from Washington, Tokyo, and others. It could also damage prospects for improved U.S.-China military-to-military relations. Such insecurity in the United States could trigger heightened security competition and an action-reaction dynamic that eventually escalates into a costly, destabilizing regional arms race, regardless of the stated or true intentions of the states involved.

The rapid growth in Chinese defense spending has fueled U.S. concerns about Beijing's strategic ambitions, while China sees Washington as seeking to maintain unrivaled dominance and effective military encirclement of the Chinese mainland. Typical of a security dilemma, as each views its military capabilities as primarily defensive or reactive, it also sees

military procurements on the other side as offensive and threatening. For example, Chinese development of advanced submarines, ballistic and cruise missiles, antiship ballistic missiles, and modern stealthy combat aircraft is construed by Washington as A2/AD-type capabilities designed to counter U.S. power projection and freedom of movement. Beijing sees it as legitimate modernization to improve the defense of China's littoral. The U.S. emphasis on precision strike, submarine operations, robotics, command and control, reconnaissance activities, and use of air and space domains as part of its supposed Air-Sea Battle concept, is likewise viewed by Beijing as provocative and escalatory. Moreover, the long time horizon in the design, development, and deployment of military equipment means that preparations tend to be made in anticipation of worst-outcome future scenarios, leading to mutual hedging at higher and higher levels of military capabilities.

If the United States were to be seen as faltering in its military capability over a prolonged period (largely due to domestic economic and political constraints) while Chinese capabilities continue to grow, the result would likely be a scramble among other regional states to fund and develop greater military capabilities, especially in the absence of effective countervailing initiatives. These states would likely include Japan, South Korea, Australia, India, Vietnam, and Indonesia, even if some of the latter would not realistically be able to counter China on their own. In a situation of strong Chinese military expansion and eroding regional balance, Tokyo would likely perceive that the PLA would achieve military superiority over Japan over twenty to twenty-five years in areas critical to military contingencies.

**Exaggerated misperceptions of global Chinese military capabilities could emerge, resulting in hostile popular reactions from Washington, Tokyo, and elsewhere.**

An analysis of defense spending and military capabilities should take into account more than military budgets; it should also consider accumulated stocks, compiled over many decades, and not just hardware but also the extent and level of military experience. A continued focus on military expenditures and the acquisition of new weapons systems, commonly used in the Pentagon's regular report on Chinese military power, would overstate China's military capabilities early in the decades under consideration for this report. Simply analyzing annual budget information will not capture the existing, significant overall U.S. superiority in accumulated stocks of weapons systems, logistical capital stock, and the value of U.S. global basing agreements. Such an approach could induce the general public—and, to a lesser extent, Congress—to believe that China is a more serious global military competitor than it will be for quite some time. As a result, political and military policies might be prone to react in an unnecessarily confrontational way to incidents that occur, increasing the likelihood of conflict and ultimately damaging prospects for improved military-to-military and overall relations.

**Nationalist sentiment could rise, particularly in China and Japan.**

National leaderships committed to an aggressive, adversarial set of military policies would be more likely to direct or authorize a range of threatening developments. In China, rising nationalist sentiment is linked to economic success, pride, and confidence in growing Chinese power, a desire to overcome past humiliation, and an effort to achieve influence commensurate with this newfound national capacity. This could lead to an emphasis on increasing defense spending, attaining new military capabilities, and defending core interests linked to regime legitimacy, including territorial sovereignty claims. Such a development could, in turn, spur the rise of more nationalist sentiments in Japan and a leadership that openly seeks to counterbalance Chinese military capabilities. In addition, Pyongyang's concerns over its own regime survival could induce North Korea to acquire greater nuclear and conventional military capabilities as a means of deterring or intimidating—or winning economic and political incentives from—South Korea and the United States.

Provocative decisions could include significant increases in defense spending as a share of GDP; the acquisition of power projection platforms and blue-water naval capabilities; active testing of antiship ballistic missile and antisatellite technologies; a Chinese emphasis on sea lines of communication operations within and beyond the first island chain; Japanese acquisition of offensive systems; and so on. While some of these activities are already under way, the emergence of a single-mindedly adversarial foreign policy orientation remains unlikely among these states in the short to medium term. Moreover, any such shift would need time to be implemented and operationalized in terms of concrete capabilities. Nevertheless, the evolution of ultranationalist policies in one of the major states concerned would be immediately interpreted by neighboring countries as a negative development, would facilitate the rise of similarly ultranationalist leaderships, and would spur development of aggressive capabilities and doctrines. Ultimately, this would exacerbate the growing military competition and spiraling security dilemma outlined above.

**Tensions over maritime disputes will likely increase.**

Maritime disputes, when perceived as zero-sum conflicts, are prone to spirals of instability due to the interactive nature of asserting and defending claims. East and Southeast Asia contain several such conflicts. Regardless of the specific impetus behind heightened tensions over maritime disputes, a primary structural reason for greater conflict will be found in the enhanced maritime capabilities of all states in contested waters, including naval forces, maritime law enforcement forces, and commercial actors (operating at times under direction from state authorities, especially in China). Greater numbers of vessels in contested spaces increase the ability of states to take actions to defend their territorial claims, but also the opportunities for miscalculation and accidents.

Accordingly, as the United States, Japan, or Vietnam increase monitoring of Chinese patrols and movements in response to an enhanced Chinese maritime presence, the

chances of either an unintended incident or a struggle to control specific maritime space will likely increase. While maritime capabilities are only a tool that can be used to deter, defend, coerce, or compel others, the growing size of maritime forces creates greater opportunities for conflict and greater means for states to respond to maritime disputes. As a result, whatever triggers of conflict may occur, they are likely to be more intense in the future simply because states have more deployable assets.

China is likely to adopt an “assertive strength” posture over the long run, assuming it maintains a level of economic growth sufficient to support continued double-digit defense spending increases (a likely prospect).<sup>67</sup> The overall size of the PLA Navy will probably remain roughly equivalent—or slightly larger—and focused on China’s near seas. However, the quality of naval platforms will increase and thus overall PLAN capability will also certainly increase, especially the capability that can be deployed within East Asia. The scope and tempo of PLAN training, patrols, and operations will also increase as a result. Perhaps more important, China’s coast guard will be roughly on a par with that of Japan’s, if not larger.

Generally speaking, China will be able to field a much greater maritime presence in its near seas than at present. It will be able to maintain a continuous presence in contested waters, though almost certainly will not possess the ability to dominate those waters. At the same time, Japan’s already large coast guard will likely increase in size and capability (largely as a response to China’s growth), while Vietnam, the Philippines, and other states will probably create new maritime law enforcement agencies in addition to their existing maritime capabilities. Vietnam will continue its own modest naval modernization, increasing its ability to project power in the South China Sea.

Beijing is likely to use its growing paramilitary maritime presence to raise the costs of challenging China for other states. It will likely do this either by intimidating them into accepting some of China’s claims, or by persuading them not to resist those claims aggressively (probably by combining strong deterrence capabilities with an array of political and economic incentives). Nevertheless, in the absence of armed provocation by others, Beijing will almost certainly avoid using direct threats of military force, much less actually employ force to eject other claimants from the land features they already occupy. This is because China will want to avoid inducing the formation of a balancing coalition and greater involvement of external powers (specifically, the United States) in China’s disputes.

At the same time, there are some indications that possession of greater military capabilities could moderate Beijing’s approach to territorial disputes. If China felt that it could ensure that its interests were taken into account in these disputes, it might feel more confident about the future and more willing to compromise or moderate its activities in order to increase overall stability. This would be especially true if other countries stopped directly challenging Beijing’s claims. Compromising from a position of strength, involving, for

example, more determined efforts to create a binding code of conduct or to share local resources, would allow Beijing to improve ties with other states at minimal cost. That said, significant pressure could well remain within China for Beijing to employ its greater power and influence to compel other states to give up their territorial claims, thus raising tensions.

In any event, the main arena for contention will likely remain a gray zone below the threshold of the actual use of force. In the East China Sea, China can increase its presence around the Senkaku/Diaoyu Islands as its military capabilities grow. But short of using force, it will be less able than in the South China Sea to increase pressure on Tokyo to meet its demands given relatively robust Japanese naval capabilities and the clear U.S. alliance commitment. In contrast, the larger gap in maritime capabilities between China and other Southeast Asian states in the South China Sea could give Beijing more room to maneuver and intimidate. Other claimant states may become accustomed to a greater and more permanent Chinese presence, and thus be more willing to engage in talks on joint development. At the same time, enhanced military capabilities could cause China to overreach, ultimately increasing tensions, distrust of Chinese intentions, and the likelihood of military or paramilitary skirmishes.

**North Korea will increasingly rely on the asymmetrical deterrent of nuclear (and possibly chemical and biological) weapons.**

Although economic and fiscal constraints in North Korea will lead to a growing gap between North Korea's conventional capabilities and those of South Korea and the United States, an increased reliance by Pyongyang on the asymmetrical deterrent of nuclear (and possibly chemical and biological) weapons is likely. Some analysts estimate that a deliverable miniaturized nuclear warhead is likely in the coming years and may already be possible, particularly for targets in Japan. A North Korean ability to deliver nuclear weapons on regional targets would have a significant impact on security perceptions. Although Pyongyang may be unlikely to use nuclear weapons against the United States or its allies, such capabilities would increase Japanese and South Korean perceptions of vulnerability, raise questions in Tokyo and Seoul about the reliability of the U.S. deterrent, possibly stimulate a competitive push to acquire independent nuclear capabilities, and increase the chance of a preemptive strike on North Korean missile launch and testing facilities (or nuclear facilities, which are dispersed and harder to identify). Support for increased defense spending in South Korea, Japan, and elsewhere in the region is likely to grow.

Such destabilization would be heightened by a less-than-forthright U.S. assurance on extended deterrence or an unwillingness to take further concrete measures (for example, new deployments of forces or missile-defense capabilities) to deal with emerging North Korean nuclear and missile capabilities. While parallel moves to address the nuclear issue and other matters might prove acceptable to some nations in the Six-Party Talks, for the



United States it would be perceived as tacit acceptance of North Korea's nuclear-weapon status.<sup>68</sup> At the same time, the emergence of such North Korean capabilities could be the tipping point that prompts China to apply pressure on the Kim regime to limit or eliminate its weapons of mass destruction programs.

A major source of tension could stem from differences in regional reactions to North Korean nuclear capabilities, in particular between China and the United States. Increased North Korean capabilities would certainly intensify calls in the region for China to increase pressure on North Korea, strengthen its support of UN Security Council sanctions, and join other regional efforts. North Korea's development of a deliverable nuclear-weapon capability may increase South Korea's willingness to engage in broader missile defense cooperation with the United States. However, South Korean concerns about China's response to such cooperation will remain a factor, as will tensions over whether to buy American systems or develop indigenous Korean systems. Japan can be expected to respond by increasing its own missile defense capabilities, as well as its bilateral defense cooperation with the United States.

Nevertheless, barring a major change in China's strategic calculation, Beijing seems likely to respond to evidence of increased North Korean nuclear and missile capabilities cautiously and incrementally. Although willing to express public concern about North Korea's nuclear-weapon development (including its weapons testing), and while clearly quite angry with Pyongyang, China has been reluctant to take concrete steps that go beyond a limited increase in its enforcement of international sanctions and calls for North Korea to exercise restraint. The fact that China has not allowed North Korea's leader, Kim Jong-un, to visit China and that Xi Jinping visited Seoul without first going to Pyongyang have been broadly interpreted by some analysts as a means of conveying displeasure with North Korea. Nevertheless, China appears reluctant to take more active measures to signal its opposition to North Korea's continuing development of nuclear weapons and missile delivery systems, especially measures that might put the stability of the North Korean regime at risk.

An important indicator of whether China is prepared to adopt tougher measures will be how Beijing reacts to North Korea's next nuclear test and flight test of a long-range rocket. Washington policymakers have urged their Chinese counterparts to adopt a tougher approach and exert greater pressure on Pyongyang to reverse its determined pursuit of nuclear weapons and missiles. But China has resisted such calls, claiming that its influence over the Pyongyang regime is limited and that Washington has exaggerated its ability to effectively pressure North Korea. Moreover, Beijing argues that North Korean concerns about the United States are at the core of the problem and that Washington, not Beijing, thus holds the key to resolving it. This Chinese approach to the North Korean problem will likely continue for the foreseeable future.



That said, one cannot dismiss out of hand the possibility that further North Korean brinksmanship might persuade Beijing over time to modify its cautious stance in some areas. For example, it might agree to work more closely with Washington and others to encourage or even compel Pyongyang to undertake genuine market reforms, perhaps in return for a relaxation of international commercial sanctions. This, in turn, could begin a gradual process of internal change that results in a lessening of security tensions and perhaps a willingness by North Korea to end its nuclear-weapon program.

**Competition to secure energy resources could heighten the security dilemma.**

Increased military and maritime capabilities by China, the United States, and Japan could spill over into the energy realm, heightening the security dilemma. In such a situation, each regional power would become increasingly concerned about its ability to secure critical energy supplies traveling through the Indian Ocean, Strait of Malacca, and the South China Sea, as well as an opponent's potential ability to threaten access to such energy resources. In an already tense and mistrustful atmosphere marked by the expansion of China's blue-water navy capabilities and perhaps those of other Asian nations as well, the need to secure energy routes would provide additional motivation for heightened naval arms competition. These concerns also affect Japan and South Korea, which are highly dependent on oil and gas imports, including those from the Middle East.

Beijing's continued use of national oil companies as strategic instruments of energy security and diplomacy in its investments worldwide, coupled with its reluctance to participate fully in institutional cooperation on energy security, is likely to aggravate fears of vulnerability among other countries. To the extent that energy and fishing resources factor into island disputes in the East and South China Seas, naval capabilities are indispensable. Moreover, China's tendency to assert new claims and production blocks for offshore exploration in contested areas will further sharpen naval competition among regional states.

While it would be difficult and impractical to implement anti-blockade measures, Beijing fears that the United States might interdict China's oil supplies in a potential confrontation over Taiwan or other issues. Diversification of energy imports to sources such as Russia and Central Asia may lessen the strategic salience of energy sea-lanes, and some Chinese experts have argued that China's success in doing so will make energy security a factor of declining concern. Nevertheless, it is unlikely that Russian and Central Asian energy exports will be large enough to materially reduce overall dependence on maritime routes for rapidly rising oil import requirements.

**Domestic economic and social constraints could limit long-term defense and military spending in some key states.**

A growing focus on tackling internal challenges would constrain rapid increases in defense spending or the acquisition of offensive capacities that alter regional military

balances. Such a development is certainly possible in several of the major Asian states. In China, for example, readjustment to a slower, more sustainable pace of economic growth, an aging population, greater demand for social goods, and potential domestic unrest—all of which are likely to become more pressing within twenty to twenty-five years—would likely compel Beijing to redirect an increasing level of budgetary resources toward continued economic stimulus, social welfare, and internal security. If this pattern of behavior extended over many years, Chinese military capabilities would probably remain inferior to those of the United States and Japan in most of East Asia, particularly in terms of advanced weapons systems, power projection capabilities, and military operations.

Continued economic and demographic challenges in Japan, as well as a general pacifist sentiment, will also likely limit the willingness of the Japanese populace to significantly increase defense spending absent a major leap in the perceived security threat posed by China or North Korea. Moreover, if China were to face the domestic challenges outlined above, Tokyo would have a reduced incentive to increase defense spending and military capabilities given the lowered likelihood of major conflict. (Of course, this assumes that the United States does not face substantial internal challenges that significantly reduce its effective military capacities in the Western Pacific or lead to a drawdown from the region that would alter regional military balances and increase strategic uncertainty.) Under these circumstances, the United States and Japan would retain their overall comparative military and technological advantages and would have little need to enter into a competitive arms race with China.

Domestic difficulties in India would likewise constrain New Delhi's ability to increase defense spending and military capabilities, particularly in ways that would interact with Chinese capabilities in the Indian Ocean and South China Sea. Any limited military improvements would likely prioritize more immediate threats in Pakistan and the Kashmir region, which have limited implications for conflict in the Western Pacific.

Overall, a renewed focus on domestic issues would imply that a competitive spiral of military spending and acquisitions could probably be avoided among smaller Southeast Asian states threatened by Chinese military aggressiveness in the South China Sea. This would lead to more stable regional dynamics.

**Strategic reassurances and restraint in certain military capabilities and strategic domains could counterbalance the potential instability created by continued military modernization.**

The potential adverse impact of increased defense spending and military modernization among the major Asian powers could be mitigated by mutual security assurance agreements. It is plausible that countries in the region, led by China and the United States, could agree on a series of steps that recognize and enable the legitimate features of modernization required for national security, while reducing the extent of possible threats to

others. This would create a far more cooperative atmosphere even as military capabilities increase overall, but it also would require a higher level of trust and commitment than is currently likely.

Such an approach would require greater transparency with respect to the objectives of modernization programs (and national security strategy), avoidance of certain “redlines” that would trigger counterresponses, and mutual restraint in certain domains. This could include limits on the pace of modernization in sensitive or potentially destabilizing areas, such as long-range precision strike systems, submarines, or amphibious and aircraft carrier capabilities, as well as a variety of confidence-building measures, such as the Code for Unplanned Encounters at Sea agreement. Although no doubt difficult to develop, such a process of mutual reassurance is not incompatible with the long-term interests of any major Asian power.

**A stable equilibrium of military capabilities in the Taiwan Strait is possible.**

Preparations for a Taiwan contingency will remain a key driving force behind Chinese military modernization and sustain a continued pattern of development and counterdevelopment of U.S., Chinese, and Taiwan military capabilities. However, a stable status quo could be achieved under the following conditions: U.S. arms sales to Taiwan continue but are recognized by the Chinese leadership as restrained with respect to major technological advances; Taipei maintains positive political and economic relationships with Beijing even while assuming greater responsibilities in defense spending and acquisitions; and China continues to treat its growing military capabilities as a credible deterrent against potential Taiwan efforts at de jure independence only, without seeking to use force to achieve unification. In addition, although likely to remain inferior compared with overall Chinese military capabilities, future Taiwan military capabilities could provide a significant deterrent by costing Beijing too much to mount an outright attack and depriving China of probable success in an attack within a short time frame (thus obviating the ability of outside forces to come to Taiwan’s aid).



# NATIONAL AND TRANSNATIONAL OBJECTIVES, MILITARY DOCTRINES, AND APPROACHES TO THE USE OF FORCE



## OVERVIEW AND SIGNIFICANCE

National and transnational objectives, military doctrines, and approaches to the use of force, as well as interstate political, economic, and diplomatic relationships (discussed in the next chapter), are the key elements of policies and perceptions that will shape the future regional security environment and prospects for conflict and cooperation.

A state's national security objectives and interests are usually centered, first and foremost, on maintaining the security and well-being of the homeland and its citizens. Secondary objectives include the maximization of political, diplomatic, and economic influence in key regions and multilateral regimes. Of course, the scope and requirements of such basic objectives can vary considerably, depending on a nation's size and level of development, political system, level of domestic political and social stability, degree of integration with the international system, and leadership aspirations and outlook, including threat perceptions. A global power such as the United States, with vast political and economic interests, a stable and durable political and social system, and extensive security commitments, is generally seen to be capable of, and to require, high levels of diverse influence in many regions, an array of alliance relationships, and the ability to project military power at great distance from its shores. A smaller, less developed, and less externally oriented power with internal governance problems and insecurities will generally have more modest, defense-oriented national objectives and interests.

A variety of transnational issues could necessitate interstate cooperation or generate interstate competition in the event of conflicting objectives and priorities. Such issues include weapons of mass destruction (WMD) nonproliferation, counterterrorism, antipiracy, and nontraditional security threats (for example, climate change, transnational crime, and pandemics). These are essentially complex, global problems, involving several international agencies and usually many countries. The management of such transnational issues and goals can shape a state's national objectives and interests while also influencing other states' perceptions of its broader strategic intentions. Debate persists about whether successful transnational cooperation can have positive spillover effects on the management of traditional security issues such as territorial disputes.

A state's military doctrine derives from its national objectives and can run the gamut from strategic and conventional doctrines that are based on offensive, preemptive power projection and war fighting, to doctrines that are more limited, defensive, and reactive in nature, oriented toward the defense of national territory and nearby regions. Of course, military doctrines can change over relatively short time frames in response to a changing security environment and specific changes in threat perceptions and national objectives. Therefore, while the national objectives and military doctrines of several major powers can decisively shape the contours of a specific security environment, those objectives and doctrines are in turn shaped by that environment and by the actions and reactions of the major powers within it. In other words, the relationship between a state's objectives and doctrines and the surrounding security environment is highly dynamic and interactive over time.

A state's general approach to the use of force exerts a major influence on its military doctrine and force structure. This variable encompasses the state's notions of deterrence, escalation control, crisis management, and conventional and strategic stability. It also includes any constitutional or procedural limits on the use of force, such as those that currently exist in Japan. All of these concepts involve assumptions regarding the type, level, timing, duration, and conditions under which military force should be employed to defend state interests, and the general relationship between military and nonmilitary instruments in state behavior. The approach to the use of force can range from highly limited, narrow, defense-oriented definitions of force and the conditions under which it should be used, to highly expansive, offense-oriented definitions of force with very flexible and broad conditions for its use.

## INTRODUCTION OF THE VARIABLES

National and transnational objectives, military doctrines, and approaches to the use of force are influenced by a very wide range of variables, including domestic political structure and regime type; leadership psychology, beliefs, and assumptions regarding the role of military force and the best means of employing it; levels of domestic political

and social instability; the economic and political requirements for sustained growth and prosperity; and general threat perceptions and views of the external security environment. In general, key indicators of a nation's national and transnational objectives, military doctrine, and approaches to the use of force include a complex mixture of long-term national development plans and statements of military strategy and doctrine; the priorities and outlook of key leaders and bureaucracies; the main structural features of the geostrategic environment; and the actions and disposition of other major powers and actors relevant to that environment.

### Long-Term National Development Plans

Long-term national development plans and multiyear statements of military strategies and doctrines incorporate basic policies and actions required to sustain domestic security, growth, and prosperity, including the type of domestic and external economic model employed and the specific economic, political, diplomatic, and security relationships required to sustain that model over time.

### Priorities and Outlook of Key Leaders and Bureaucracies

Leadership and organizational interests and perspectives are influenced by relative power distributions within the political system, the functional responsibilities and relationships of individuals and bureaucracies, and a range of cultural and individual beliefs regarding, for example, short-, medium-, and long-term political objectives, and the role of coercive, remunerative, and normative power in achieving those objectives, both domestically and overseas.

### Structural Features of the Geostrategic Environment

The geostrategic environment includes the number and location of major powers that could pose a major security threat and the security-relevant features of the geographical landscape that influence energy routes, natural barriers to attack, and other vital economic and defense considerations.

### Actions and Disposition of Foreign Powers

The actions and disposition of major foreign powers and other security-relevant entities include their military capabilities and force structure, formal defense policies and doctrines, and any movements or postures that present either security threats or opportunities.

While features of the geostrategic environment and cultural and social beliefs constitute largely unchanging or slowly evolving variables, the other factors can change significantly, especially over the long term, and hence serve as potential indicators of alterations in national objectives, military doctrine, and approaches to the use of force.

## THE VARIABLES IN THE ASIA-PACIFIC

### United States

The Asia-Pacific region has long been regarded by U.S. policymakers as a vital area for American national interests given the region's oceanic links to the U.S. homeland, economic dynamism, political diversity, geostrategic relationship to other key regions, and its location as home to several major military or economic powers, notably China, Russia, India, and Japan. Within this region, since the mid-1990s at least, Washington has focused much of its security policies on the effort to maintain stability and prosperity in a new environment marked by the collapse of the Soviet Union and the rapid emergence of China as an increasingly capable and influential power.

Since the 1970s, Washington has pursued two broad sets of strategic objectives toward China. First, it has sought to sustain the Chinese leadership's emphasis on peaceful economic development and Beijing's growing involvement in the international system. It has done this by deepening bilateral diplomatic and economic ties with China, including Beijing in the maintenance and—to some extent—the protection of the existing global and Asian order, and encouraging Beijing's willingness and capacity to work with the United States and other Western powers in addressing a variety of bilateral, regional, and global issues. Second, Washington has sought to deter Beijing from using its growing capabilities to acquire the power or intentions that could undermine global or regional stability, peace, and prosperity, or threaten vital U.S. capabilities and interests in the Asia-Pacific region and beyond. U.S. policies toward China thus combine efforts to engage and invest Beijing in stability-inducing and problem-solving norms, structures, and processes, with simultaneous efforts directed at counterbalancing, deterrence, and hedging.

In the security realm, U.S. military power toward China serves four crucial purposes:

- to facilitate Beijing's integration into cooperative security-oriented processes and behaviors that are compatible with overall American interests (for example, through military deployments, diplomacy, and dialogues);
- to reassure other Asian powers (and especially American allies such as Japan) that the United States has the capability and will to protect and advance its political, economic, and security interests and commitments to them in the face of a rising China;



- to deter Beijing from using coercive military force to shape or resolve specific disputes with Taiwan, Japan, Vietnam, the Philippines, and other neighboring territories and states; and
- to ensure that Beijing remains unable to establish an exclusionary sphere of influence in the Western Pacific that would limit U.S. economic, political, and military access and the open transit of U.S. and allied civilian and military ships and aircraft across the region.

Washington has worked to attain these ends by increasing its air, naval, and space capabilities and enhancing its military-to-military relationships with China and other major Asian powers. This undertaking, along with other military and nonmilitary policies and initiatives toward regional states, is now part of a new policy approach that seeks to emphasize Asia in U.S. global foreign and defense policy: the so-called pivot or rebalancing to Asia.

This rebalance is seen as an important response to the growing significance of the region to American political, economic, and security interests, and especially to the challenges and opportunities presented by an increasingly powerful and influential China. But it is also intended to signal Washington's continued commitment to a vital region during a period of global uncertainty brought on by the global financial crisis. U.S. officials have stressed three policy features as principal elements of the rebalancing: first and foremost, the strengthening of U.S. bilateral alliances and security partnerships in the region (particularly the U.S. alliance with Japan); second, more intensive engagement with the emerging power centers in the region (notably China, India, and Indonesia); and third, more active and direct U.S. participation in the development of regional multilateral institutions. Each of these major features emphasizes the positive, cooperative dimensions of the new U.S. focus on the Asia-Pacific region. Indeed, Obama administration officials have repeatedly stressed that the new policy shift is not intended to contain, encircle, or counterbalance China. To the contrary, it places an emphasis on deepening U.S. and Chinese military cooperation.

Despite such cooperative measures, rebalancing also encompasses efforts to strengthen U.S. deterrence capabilities toward China. During the past ten to fifteen years, Washington has encountered what many defense analysts regard as a growing threat from China to its ability to defend and advance U.S. strategic interests through its primacy across, and freedom of access to, the Western Pacific. This threat stems from the acquisition by the People's Liberation Army (PLA) of what many analysts consider to be anti-access/area denial (A2/AD) capabilities.

Successfully deployed as an integrated network and protected by capable air defenses, an A2/AD-type system could damage or disable U.S. carrier battle groups and destroy U.S. aircraft as they approach the Chinese mainland. Chinese A2/AD capability could thus

reduce the capacity and willingness of the United States to respond rapidly and effectively to a variety of important scenarios, such as Chinese threats to Taiwan, Chinese coercion directed against rival claimants in maritime territorial disputes, and conflicts on the Korean Peninsula or in South Asia. More broadly, it could significantly lower U.S. allies' confidence in American security commitments, thereby encouraging destabilizing behavior such as conventional military buildups and possibly even the acquisition of nuclear weapons.

In response to these emerging capabilities and their attendant concerns, Washington is increasing its forces in many areas and examining several possible new operational military concepts. The most notable of these is the Air-Sea Battle (ASB) concept associated with the Joint Operational Access Concept. Although still largely undefined, the ASB concept would involve a networked, domain-integrated, deep-strike-oriented force structure designed to disrupt, destroy, and defeat all relevant Chinese A2/AD-type capabilities, encompassing both offshore weapons systems and supporting onshore assets. The doctrine guiding the use of such a force structure would require the ability to survive a possible preemptive PLA air and missile attack on forward U.S. and Japanese military assets and then respond quickly. Such a response would involve coordinated strikes on China's command, control, communications, computers, intelligence, surveillance, and reconnaissance infrastructure, followed by the destruction or neutralization of all of the PLA's A2/AD-type weapons systems, whether onshore, offshore, or in space and cyberspace.

In addition to ASB, other new operational military concepts under discussion, either within the U.S. military or by outside defense analysts, include Offshore Control and Mutual Denial. Offshore Control would center on a blockade strategy designed to deter efforts by China to prevail in coercive or combative actions undertaken within and beyond the first island chain (including operations targeting Japan or the Pacific sea lines of communication). This strategy would not aim to directly counter Chinese A2/AD capabilities, nor would it rely on strikes deep into Chinese territory. Instead, it would focus on creating a barrier against Beijing's use of the far seas and a blockade of Chinese ports that could be used to support such use. The barrier aspect of this orientation would draw a line at the first island chain, relying on increased deployments of Patriot missile battalions, enhanced intelligence, surveillance, and reconnaissance activities (ISR), additional basing arrangements (especially in the southwest islands of Japan), and the support of other Asian nations.

The Mutual Denial Strategy (also known as Mutually Denied Battlespace Strategy or the Mutual A2/AD Concept) would rely on U.S. maritime and air capabilities—particularly attack submarines, long-range antiship cruise missiles, long-range air-to-air missiles, and sophisticated decoys—to create an effective A2/AD deterrent against Chinese attempts to threaten Japan, establish sea control over waters within the first island chain, or seize and hold disputed territory. Rather than targeting China's A2/AD capabilities through the use of either deep penetrating attacks or more limited offensive actions against air, maritime,

and coastal A2/AD assets, this approach would focus on destroying at sea whatever significant offensive air and maritime capabilities Beijing might deploy against Japanese and allied interests in a severe crisis or conflict. It would also target Chinese commercial shipping capabilities. This approach would not only avoid attacks on mainland targets but also significantly reduce U.S. reliance on ballistic missile defense systems and forward-deployed tactical air support based in Japan, both of which are regarded by some Western defense analysts as highly vulnerable to Chinese missile attacks.

The first two operational military concepts, ASB and Offshore Control, reflect an effort to retain U.S. military primacy in the Western Pacific or, at the very least, the capability to attain strategic objectives. Conversely, the Mutual Denial concept aims to establish a more balanced and cooperative power relationship with China in the Western Pacific through a greater reliance on lower visibility and rear-deployed forces to attain those strategic objectives. These approaches are discussed in much greater detail in chapter 6.

The U.S. approach to the use of force favors offensive-oriented military doctrines based on superior all-azimuth military capabilities (air, ground, naval, space, cyber); forward-deployed military forces with rapid reaction and expeditionary force projection capabilities; offensive military doctrines present at the operational, campaign, and tactical levels (which imply expansive strategic goals, preemption, and a “winning” approach to a crisis); strong emphasis on employing military instruments to convey commitment, resolve, and the intention to act decisively in a crisis; and escalation dominance at every rung of the ladder.

The U.S. approach to force assumes that a clear possession and display of superior force serves as a potent deterrent against threatening behavior. U.S. leaders also believe that conflict usually results from the failure to demonstrate clear resolve early on, such as by taking small, incremental steps. At the height of the Cold War, U.S. policy at times emphasized threats of massive, possibly nuclear, retaliation, and deliberately attempted to deter potential aggression by cultivating uncertainty in the mind of its opponents. This policy orientation sometimes translated into dramatic escalations, especially against weaker states. For U.S. decisionmakers, the dangers inherent in such behavior could be mitigated by accurate intelligence, clear communication, close control over military forces through strict rules of engagement, and the overwhelming deterrence effect of superior conventional military power and nuclear weapons.

## China<sup>1</sup>

Since the advent of economic reform and opening and the transition away from Maoist ideology in the late 1970s, China’s leadership has pursued a largely pragmatic, peaceful development-oriented grand strategy designed to maintain, above all else, high levels of

undistracted economic growth. This is deemed necessary for China to attain the status of a middle rank developed economy by 2050. Such a long-term development plan is viewed as essential to the achievement of several key national goals, including the maintenance of domestic social order and economic development, which is seen as critical to the preservation of the Chinese state's power and stability; the acquisition of military and other means deemed essential to defend China against foreign threats to its territory and sovereignty; and the eventual attainment of high levels of international power and prestige commensurate with China's historical status as a great power. Moreover, from the viewpoint of the senior Chinese leadership, the survival of the Chinese Communist Party is regarded as both the essential precondition for, and an essential by-product of, the attainment of all these goals.

To achieve this fundamental strategic objective, Beijing has repeatedly and emphatically enunciated an overall foreign policy of peace, cooperation, and goodwill toward all states, which is often described by Chinese officials as the search for a “mutually beneficial, win-win cooperative pattern” (*huli shuangying de hezuo geju*, 互利双赢的合作格局).<sup>2</sup> In its concrete political and diplomatic policies, China is pursuing an overall approach marked, in the areas of both multilateral and bilateral interactions, by the search for mutually beneficial outcomes, the maintenance of amicable ties with virtually all nations and institutions, and the deepening of those types of relationships that are most conducive to economic development.<sup>3</sup>

In the political and security realm, China has sought to advance its definitions of the concepts of peace, development, and harmony through the enunciation of approaches like the New Security Concept (*xin anquan guan*, 新安全观), unveiled in 1997, and the more recent announcement in May 2014 of a regional security cooperation architecture that is to be combined with the establishment of bilateral strategic partnerships (*zhanlüe huoban guanxi*, 战略伙伴关系). These strategic partnerships are with nations along China's periphery (for example, Russia, Japan, South Korea, and states in the Association of Southeast Asian Nations, or ASEAN) and in other strategically important regions. Both the New Security Concept and the strategic partnership idea were intended to offer a potential alternative to the supposedly “Cold War—era” concept of bilateral security alliances (and in particular the U.S.-centered “hub-and-spokes” security structure of formal alliances and forward-deployed military forces), as well as the broader notion of U.S.-led, unilateral, or non-UN-sanctioned military interventions.<sup>4</sup> The more recent call for a new “common, comprehensive, cooperative, and sustainable” security structure also implies a possible alternative to the hub-and-spokes system.<sup>5</sup>

These concepts serve a clear and enduring strategic purpose for Beijing by presenting an overall argument as to why China's rise will contribute greatly to—rather than threaten or undermine—regional and global stability, peace, and prosperity, thus comporting with U.S. interests in Asia. However, the concepts are also designed to advance the notion that

U.S. strategic dominance in general, and any type of U.S.-led opposition to China's rise, is ultimately unnecessary and potentially destabilizing for the region. These concepts play to the fears that some nations harbor about America's unilateralism and intervention in their domestic affairs. Ultimately, Chinese leaders view their nation as a developing state dedicated to advancing living standards and resisting "hegemonism" in all its forms.

China's defense doctrine is shaped by the following fundamental military objectives:

- First and foremost is the ability to deter or defeat possible threats or attacks against China's mainland, especially its important Eastern coastline. The most likely source of such potential threats or attacks includes Japan and U.S. forces based in Japan, as well as forces located in India, Russia, South Korea, Guam, Hawaii, and elsewhere.
- Second, the Chinese military must also deal with a range of possible "local war" conflict scenarios or less violent confrontations that might occur along China's periphery, including the contested areas along the border with India but especially in maritime areas.<sup>6</sup> Such conflicts or confrontations would likely arise in response to Chinese efforts to defend its territorial sovereignty or interests, including Chinese claims to the Senkaku/Diaoyu Islands near Japan, to Taiwan, to areas along the border with India, and to the Spratly Islands in the South China Sea. Conflict could also occur as a result of confrontations over unresolved hot spots affecting the broader regional balance, such as the Korean Peninsula or the Indo-Pakistani imbroglio.
- A third and less central objective of the PLA is to participate in military operations other than war. Domestically, these operations include an array of security and assistance activities associated with natural disasters, pandemics, and social unrest. Beyond China's borders, military operations other than war encompass overseas noncombat missions such as counterpiracy operations, disaster response, evacuation operations, and humanitarian relief efforts, as well as steady increases in China's contribution to international, noncombat peacekeeping activities.<sup>7</sup>
- A fourth potential objective, the defense of sea lines of communication and transport, would involve China's developing enhanced capabilities not only to transit and to operate in and near straits and choke points throughout the Japanese islands and in southeast Asia, but also to prevent other powers—including Tokyo, Manila, and Washington—from using such strategic areas. As such, this effort would potentially affect both U.S. allies such as Japan and the Philippines and especially U.S. forces forward-deployed in Asia. However, this objective thus far remains only a possibility and not a confirmed fact.<sup>8</sup> Although many pundits assume that Beijing is acquiring such medium- and long-range interdiction capabilities as part of the quest to acquire an expeditionary blue-water navy, there is no evidence that such highly ambitious objectives are currently part of China's official policy or strategy. Despite Chinese participation in antipiracy activities in the Gulf of Aden, and visits by People's

Liberation Army Navy vessels to an increasing number of distant ports, Beijing's military doctrine remains primarily focused on defending its territory and acquiring capabilities relevant to its immediate neighborhood.

The basic PLA doctrines supporting the above missions include the Maoist concepts of "People's War" and "active defense" (*jiji fangyu*, 积极防御). Historically, People's War focused on defending the Chinese mainland through reliance on China's geographic, demographic, and cultural strategic advantages—including its traditional emphasis on stratagem, deception, and guerrilla warfare. In recent decades, it has been adapted to accord with the realities of modern combat and "local wars under conditions of informatization." Most notably, it has come to include the ability to respond rapidly, take the initiative, attain superiority quickly, prevent escalation, and resolve any conflict on favorable terms—a strategy referred to by some Chinese strategists as the "trump card" or "assassins' mace."<sup>9</sup>

Closely related to the concept of People's War, active defense is another major principle of Chinese military doctrine originally articulated by Mao Zedong and reaffirmed in recent years as China's basic military strategy.<sup>10</sup> Active defense involves both deterrence and war fighting, although war fighting is viewed as a last resort utilized only if deterrence has failed.<sup>11</sup> *The Science of Military Strategy*, a seminal publication produced in 2001 by the PLA's top research institute, the Academy of Military Science (AMS), explains, "The war-fighting means [for attaining the military objective] is generally used only when deterrence fails and there is no alternative.... So long as we can solve the problem with military deterrence, we will not resort to war."<sup>12</sup> Chinese and foreign analysts of Chinese crisis behavior have also observed that Beijing has, in the past, employed low levels of military force as a form of conventional and low-level deterrence to shape, deter, blunt, or reverse a crisis situation, probe or test intentions, and prevent escalation.<sup>13</sup> Thus, while the use of force is a dangerous form of crisis management, Chinese military analysts might believe that it can at times be employed to avoid a much greater clash.

The AMS authors of *The Science of Military Strategy* view deterrence as a means of accomplishing not only military objectives, but also objectives that are political, diplomatic, and economic. Nonetheless, they classify China's approach as defensive strategic deterrence, oriented toward preventing violations of Chinese territory, rather than offensive strategic deterrence, which is intended to compel other states. The PLA views successful strategic deterrence as dependent upon possession of adequate force; determination to use that force; and communication with the opponent regarding one's capabilities and resolve. This is almost certainly a major reason for the increased frequency of PLA exercises and weapons tests over the past decade.<sup>14</sup>

If deterrence fails and a conflict escalates to the level of war, People's War and active defense support the PLA's use of preemptive offensive strikes for self-defense. In recent years, this has been described in PLA writings as "a greater stress on gaining the initiative



by striking first,” reflecting the need to act quickly and decisively to preempt an attack, restore lost territories, protect economic resources, or resolve a conflict before it escalates. Official statements of doctrine seek to make it clear that such steps would be taken only after Chinese sovereignty had been violated.<sup>15</sup> Nonetheless, ambiguity in PLA writings suggests that the threat of immediate attack, rather than an actual enemy strike, could merit such preemptive measures.<sup>16</sup> Analysts have also identified elements of PLA doctrine that suggest even nonkinetic or political violations of Chinese sovereignty would be sufficient justification for a preemptive strike by PLA forces.<sup>17</sup>

However, this preemptive nature of PLA doctrine is often misperceived by outside observers, especially in relation to contingencies involving the United States. As Lt. Col. Michael Flaherty (USAF) has argued, while it could be used to justify a preemptive strike against Taiwan if Taipei were to declare *de jure* independence, this doctrine would not necessarily justify preemptive strikes against U.S. carrier groups or bases in Japan unless the United States had intervened militarily in support of Taiwan’s declaration. As Flaherty writes:

Ambiguities regarding the threshold such intervention would have to meet in order to trigger a Chinese counterattack have biased U.S. analysts toward worst-case scenarios that obscure the strategic intent of active defense. . . . Once conflict begins, active defense can be characterized as strategically defensive and tactically offensive.<sup>18</sup>

In *The Science of Military Strategy*, this aspect of active defense is described as “active strategic counterattack against exterior lines (ASCEL)” (*jiji de zhanlüe waixian fanji zuozhan*, 积极的战略外线反击作战). ASCEL is portrayed as an integral component of the broader strategy of active defense, and, as such, it is defined as “strategically defensive” and a form of “active self-defense counterattack,” rather than “a component of the expansive and extrovert[ed] offensive strategy.” Once sovereignty has been violated, ASCEL is meant to be an active and preemptive response conducted at the beginning of a war that does not rely solely on passive defense of the border and coastal regions, but instead involves fighting “against the enemy as far away as possible, to lead the war to [the] enemy’s operational base, even to his source of war, and to actively strike all the effective strength forming the enemy’s war system.”<sup>19</sup>

While some analysts have described this ASCEL concept as analogous to an A2/AD doctrine, it must also be viewed in the larger context of active defense, deterrence, and the evolution of People’s War. In the AMS text’s discussion of ASCEL, the authors reiterate that such tactics would be employed only after conflict has already been initiated: “Once the enemy invades our territory and offends our national interests . . . we get the freedom to conduct self-defense operations.”<sup>20</sup> Moreover, the focus on exterior lines is proposed as an alternative to the historical emphasis placed on luring the enemy deep into Chinese territory and fighting “in depth.” It is related to the concepts of “strategic frontier” and

“active peripheral defense” that have emerged as modifications of traditional Maoist People’s War, rather than as complete departures from past PLA strategy, which remains principally focused on defense of the interior lines and deterrence against attack.<sup>21</sup>

Chinese leaders in the past have seemed to follow the maxim “just grounds, to our advantage, with restraint” (*youli, youli, youjie*, 有理, 有利, 有节) in assessing how and when to employ coercion, force, accommodation, and persuasion. This principle, used often by Mao Zedong during the Chinese struggle against Japan in World War II, consists of three points:

- Do not attack unless attacked. Never attack others without provocation, but once attacked, do not fail to return the blow. This is the defensive nature of the principle.
- Do not fight decisive actions unless sure of victory. Never fight without certainty of success, unless failing to fight would likely present a worse outcome. Utilize contradictions among the enemy. Apply your strengths and reduce the enemy’s strengths. This is the limited nature of struggle.
- Be pragmatic and aware of the limited nature of objectives and strength. With a strong power, set appropriate war objectives and do not exceed capabilities. Know when to stop, when to counter, and when to bring the fight to a close. Stop once the goals are attained and rethink if you cannot obtain your objectives. Do not be carried away with success. This is the temporary or contingent nature of each struggle.<sup>22</sup>

The *youli, youli, youjie* maxim suggests that Chinese leaders have usually employed force or coercion only in response to similar measures. However, many Western studies of China’s crisis behavior suggest that Beijing has often initiated coercive threats or the use of force in a crisis as an effective political and psychological tool. In fact, some data show that during the Cold War, China was more inclined than most of the major powers to employ limited levels of force, particularly as an integral element of crisis bargaining.<sup>23</sup> China has used force to show resolve, commitment to principle, and refusal to submit to coercion or intimidation, as well as to produce psychological shock and uncertainty. This has sometimes occurred as part of a larger strategy designed to seize the political and military initiative through deception and surprise. At other times, China has used force to intimidate an opponent and elicit concessions.<sup>24</sup> In this manner, in the Chinese view, the limited use of coercion or force can prevent a much larger conflict, strengthen the foundations of peace, or achieve narrower Chinese objectives.<sup>25</sup>

One U.S. analyst has observed—based on a review of the existing (largely Western) literature on China’s use of force—that in past crises Chinese leaders have often followed an initial overwhelming application of force with a pause. This was possibly done for several reasons: to lull an adversary into thinking China is backing down prior to eliminating the threat through a subsequent strike; to present an opportunity for the adversary to



reconsider and back down; or to avoid a serious escalation of the situation. At the same time, Beijing seeks to convey the impression that significant escalation is possible and acceptable, even though its focus remains on political objectives.<sup>26</sup>

As this suggests, in some instances China's awareness of its own weakness can motivate the use of force as a deterrent; in other words, to convey resolve and shock a stronger adversary into more cautious behavior.<sup>27</sup> Such a use of force usually demands sensitivity to the balance of power in the geographic area of the crisis and to problems of escalation and control. In accordance with this approach, the Chinese use of force in past crises was often followed by signs of accommodation or efforts at persuasion, at least privately, to avoid escalation and to secure minimum gains.

### Japan<sup>28</sup>

After World War II and the San Francisco Peace Treaty of 1951, Japan pursued a national security strategy of relying on the United States for national defense and focusing on economic reconstruction and development. Once Japan achieved its status as the second-largest economy in the world and one of the most technologically advanced, the country began to recalibrate (rather than transform) its national security strategy in response to the changing international environment. Over time, Japan began to relax its domestic constraints on defense policy and move toward a "roles and missions" approach for defense cooperation with the United States. In the 1990s, this included participation in noncombat UN-mandated peacekeeping operations and provision of rear-area support for the U.S. military in contingencies that affected Japan's security interests. After the September 11, 2001, terrorist attacks on America, Japan took the unprecedented step of refueling naval ships from the United States and other countries in the Indian Ocean and deploying ground forces to Iraq for postwar reconstruction. A key Japanese motivation in these recalibrations of national security strategy has been a desire to maintain the alliance with the United States at a time of international uncertainty and concern about the resilience of American security commitments.

This emphasis on relations with the United States, however, does not mean that Japan ignored other dimensions of foreign policy. For most Japanese, although the U.S.-Japan alliance was essential for Japan's national security strategy, it was by no means sufficient. As a consequence, Japan became an active proponent of various regional dialogues and processes including APEC (the Asia-Pacific Economic Cooperation) and the ASEAN Regional Forum. It also attempted to address the negative regional consequences of its militarist past and worked bilaterally and multilaterally to cultivate stable and friendly relations with South Korea, China, and members of ASEAN. In short, Japan sought to develop an Asia-Pacific order that would prevent it from having to make a strategic choice

between the United States and East Asia. To achieve this, Japan has pursued a multidimensional strategy of security cooperation in the region.

Since 2013, Japan's new National Security Strategy has emphasized its proactive contribution to peace based on international cooperation. This has highlighted the role of Japan's Self-Defense Forces (JSDF) in international missions such as peacekeeping, postconflict reconstruction, and humanitarian aid and disaster relief. The first-ever National Security Strategy issued by Tokyo also represents an attempt to weave together defense, diplomatic, and economic policy into a broader strategic picture for national security.

In recent years, Japan has shifted to a more explicit threat-based defense doctrine in response to heightened threat perceptions and changes in its security environment. In December 2010, the Japanese government adopted a new defense doctrine to replace the one that had existed since 1976. The 1976 Basic Defense Force concept, meant to repel limited and small-scale aggression without external assistance, involved static deterrence that focused on the quantities and size of weapons and troops that would be deployed evenly across the Japanese archipelago. The new National Defense Program Guidelines (NDPG) for FY 2011 and Beyond, however, enunciated the Dynamic Defense Force concept, which entails developing JSDFs "that [possess] readiness, mobility, flexibility, sustainability, and versatility," all of which will be "reinforced by advanced technology based on the trends of levels of military technology and intelligence capabilities."

Under this new concept, Japan intends to stress comprehensive operational performance such as readiness for an immediate and seamless response to contingencies that are likely to involve short warning times due to exponential advances in military capabilities. Rather than emphasizing the maintenance of a certain level of defense forces in a static sense, Japan would demonstrate national will and strong defense capabilities through such timely and tailored military operations as regular ISR. A critical feature of the Dynamic Defense Force concept is a deepening of the alliance with the United States.

The most recent NDPG for FY 2014 and Beyond went a step further by introducing the concept of Dynamic Joint Defense Force, underlining cooperation between the different services: ground, air, and maritime. The new NDPG further emphasizes defense posture buildup in the southwestern region and the prioritization of capabilities that ensure "maritime and air superiority, which is the prerequisite for effective deterrence and response in various situations," as well as capabilities to "deploy and maneuver forces."

Although article 9 of the constitution has become a symbol of the country's postwar identity and pacifist norms, the Japanese government has interpreted article 9 flexibly to enable Japan to have a national defense policy and adapt that policy to changes in the international environment. Under this constitutional interpretation, "offensive weapons designed to be used only for the mass destruction of another country" are prohibited; as a result, the JSDF is not permitted to possess intercontinental ballistic missiles, long-range

strategic bombers, or attack aircraft carriers. Interestingly, however, the Japanese government has repeatedly argued that the constitution does not necessarily proscribe nuclear weapons if such weapons could be justified as “minimally necessary.” Nor has the government explicitly restricted the use of armed force to the “geographic boundaries of Japanese territory, territorial waters, and air space.” In other words, under certain circumstances, Japan may use force against another country as an act of self-defense. Nevertheless, the government acknowledges the difficulty of defining such circumstances in advance.

Another constitutional gray area involves the deployment of the JSDF overseas. In response to international developments, the government relaxed the restrictions on overseas dispatch by stretching the concepts of self-defense and “minimum necessary level.” During the early 1980s, Japanese officials framed sea-line defense in terms of individual self-defense. In the wake of the 1990–1991 Persian Gulf crisis and war, Japan moved to contribute more to international security by participating in UN peacekeeping operations. The government insisted that such participation would be constitutional because the JSDF would not be going overseas as armed units with the aim of using force. After 9/11, Japan sent Japan Maritime Self-Defense Force (JMSDF) ships to the Indian Ocean to refuel ships and participate in a maritime interdiction mission, and deployed the Japan Ground Self-Defense Force to Iraq to assist in postwar reconstruction. Opponents said these deployments violated the constitution, but the government argued that because these operations were not directly integrated with the use of force they were constitutionally permissible.

The right of collective self-defense has been an additional issue of constitutional controversy. In 1954, while recognizing Japan’s right of collective self-defense under international law, the government declared that Japan may not exercise this right. In subsequent years, it elaborated on this prohibition by noting that collective self-defense exceeded “the minimum necessary level of self-defense.” According to the government’s definition, collective self-defense entails “the right to use force to stop a direct attack on a foreign country with which the state has close relations, even if the state itself is not under attack.” This prohibition of collective self-defense, however, has not precluded Japan from providing rear-area support to the United States as long as such support is not directly integrated with the use of force.

In a major development, the Japanese cabinet under Prime Minister Abe approved a reinterpretation of the constitution in July 2014. Resistance within the LDP and from its coalition partner New Komeito meant that the resolution was watered down into more restrictive language requiring a “clear danger” to Japan for collective self-defense to be exercised. The JSDF would be able to help an American ship under attack or shoot down a North Korean missile heading toward the United States, but not to participate in UN collective security operations involving military force. Even so, this was met with public protests and plummeting government popularity ratings. The reinterpretation of article 9 could potentially induce major changes in Japanese security doctrine and relations with

other countries, but the impact ultimately depends on how the cabinet resolution and reinterpretation itself is implemented through subsequent legislative decisionmaking and required legal changes over the coming year and more. The practical implications remain unclear given domestic public and political resistance as well as foreign reactions. Further security changes on Tokyo's part, without effective diplomatic engagement and reassurance with neighboring countries, could worsen tensions and distrust in the regional security environment.<sup>29</sup> This would be especially true if a future Japanese government revises the Japanese constitution to expand significantly the scope of roles and missions undertaken by the Japanese military. As noted, such a revision is highly unlikely over the short to medium term, but it is not inconceivable over the long term if Japan were to lose confidence in the security alliance with Washington while experiencing a greatly increased security threat from China or North Korea.

Beyond its potential direct role in collective self-defense of U.S. assets or territory as part of the U.S.-Japan alliance, Japan provides the key staging ground for U.S. forces, particularly for the U.S. Air Force, in the Asia-Pacific region. Japan has hosted U.S. troops since World War II and currently hosts roughly 40,000 U.S. troops, with about two-thirds stationed in Okinawa. The III Marine Expeditionary Force is based in Okinawa, while other major contingents include the U.S. Seventh Fleet, stationed in the city of Yokosuka, and the U.S. Air Force stationed at Misawa Air Base and Kadena Air Base. Such U.S. forces stationed in Japan would play a critical role in extending U.S. force projection if a crisis situation were to emerge in the Western Pacific.

Despite the importance of U.S. bases in Japan to U.S. force posture, however, local opposition and political concerns pose real challenges to their long-term management and viability. For one, Okinawans have strongly voiced their opposition to the continued presence and operation of U.S. bases. Crimes and acts of violence committed against local civilians by U.S. military personnel over the years and the 2004 crash of a U.S. Army helicopter on the campus of Okinawa International University have provoked public anger against the presence of U.S. troops.

Meanwhile, unpredictable political leadership in Japan further calls into question the success of relocation and long-term management plans. For example, the implementation of the 2006 bilateral agreement regarding realignment of U.S. basing in Japan has stalled. The Department of Defense initially estimated the realignment cost to be \$10.3 billion, but various complications, including environmental impact concerns, led the U.S. Government Accountability Office to offer a revised estimate of \$23.9 billion. In 2012, the two allies did make some progress on realignment when they officially "delinked" the establishment of the Futenma Replacement Facility with the transfer of some Marines to Guam and also renegotiated the amount and structure of Japanese financial support for the relocation project, but the recent elections in Okinawa brought into office people opposed to the project, once again casting doubt over its eventual realization.<sup>30</sup>

## South Korea

South Korea's major national objectives are deterring North Korean aggression; maintaining a strong alliance with its sole treaty ally, the United States; further developing its strong national economy and vibrant democracy; improving relations with China (with an eye not only toward Korea's economic future but also toward increasing pressure on North Korea to denuclearize and seeking Beijing's support for Korean reunification); expanding South Korea's role as a leading democracy and trading nation; and achieving peaceful national reunification under South Korean leadership.

The U.S.-South Korea security alliance is defensive in nature. Bilateral military exercises are designed to strengthen the alliance's ability to deter an attack by North Korea's numerically superior forces. However, if deterrence fails, the alliance is prepared to meet an attack and defeat it decisively. While North and South Korean naval forces have occasionally engaged in skirmishes over the years, South Korean and U.S. forces have generally abstained from retaliating when the Korean People's Army (KPA) has carried out military provocations against South Korea. However, in the aftermath of the KPA's artillery attack on South Korea's Yeonpyeong Island in November 2010, South Korea—after coordinating with the United States—adopted new rules of engagement that made clear to North Korea that South Korea would respond quickly and militarily to future military provocations. Since then, there have been no KPA attacks. While this new threat of South Korean retaliation is a potential game changer, Seoul (with considerable urging from Washington) has agreed that its responses will be proportional and carefully calibrated. As long as Pyongyang continues to believe in the certainty of a South Korean response, this new South Korean approach is on balance more likely to serve as an effective deterrent against provocative North Korean behavior than it is to lower the threshold for conflict.

Despite South Korea's ongoing focus on deterrence and efforts to persuade North Korea to give up its nuclear and missile programs, Seoul has also sought to engage North Korea in dialogue designed to reduce tensions, promote greater bilateral engagement, and begin to lay the foundation for North-South reconciliation. Ultimately, it is South Korea's hope that this will create the conditions for Korean reunification—a longtime national aspiration.

## North Korea

North Korea is afflicted by a dysfunctional national economy, burdensome international sanctions, isolation, and a chronic unwillingness to implement the economic, structural, and social reforms that could lay the foundation for long-term economic growth. The North Korean regime is convinced that some of its neighbors (specifically South Korea and Japan) and the United States intend to attack or overthrow North Korea, and it views China as an unreliable military ally. Accordingly, North Korea's primary national

objective is regime survival. Pyongyang's diplomacy, military doctrine, and budget priorities are all focused on this goal.

North Korea seeks to realize this ambition by maintaining a large standing military (albeit one whose equipment, logistical support network, and exercise tempo are hardly on a par with any of its neighbors' military). A significant portion of North Korean forces are forward-deployed near the demilitarized zone in offensive array—a configuration designed to maximize the effectiveness of its large numbers in the face of its adversaries' qualitative advantages. The KPA also relies heavily on forward-deployed artillery, special operations forces, and a military doctrine that emphasizes offensive operations against South Korean and U.S. forces, in particular against the South Korean capital of Seoul, which is within easy range of KPA artillery. North Korea has also sought to offset its adversaries' modern militaries and advanced capabilities by developing and deploying chemical and biological weapons, which can be delivered by missiles or artillery. The North Korean nuclear-weapon program, which the regime describes as its “treasured sword” and “strategic deterrent,” is also deemed by Pyongyang to be an essential tool that compensates for the KPA's qualitative shortcomings.

North Korea aims to reunify the Korean Peninsula under its control, and Pyongyang continues to assert that it is prepared to use force to achieve this end. Over the years, the KPA has engaged in numerous high-risk military provocations designed to convey this message and keep the South Korean and U.S. forces off-balance. The most recent and prominent of these provocations occurred in 2010, when the KPA torpedoed a South Korean warship in its own waters and then conducted an unprecedented artillery attack on a South Korean island. Since then, North Korea has avoided major provocations, although it has continued to develop its nuclear-weapon program and the medium- and long-range missile systems with which to deliver these weapons.

North Korea is reluctant to expand its dialogue with Seoul and has become increasingly and bitterly critical of President Park Geun-hye and her leadership of South Korea. As a result, efforts to expand North-South ties have stalled, and, with the exception of the collaborative economic development efforts in the Kaesong Industrial Complex, few examples of ongoing North-South cooperation are under way today. Pyongyang has also made clear that for serious progress to be possible in bilateral ties, South Korea must first agree to reduce or halt some of the most important annual U.S.-South Korea military exercises. This is a step Seoul is unlikely to take.

## Russia

An important national priority for Russia is maintaining its regional hegemony and sphere of influence in the former Soviet Republics, Central Asia, and Caucasus states in the face of perceived Western and Chinese encroachment. More broadly, both energy



security and counterbalancing Western political and strategic influence all along Russia's periphery and probably to a lesser extent beyond are also likely to become increasingly critical over the medium to long term. Russia's 2009 National Security Strategy highlighted energy security as an area of particular importance.

Currently, Moscow's primary means of enhancing its influence in these areas center on the leverage provided by its energy supply relationships with nearby areas, long-standing personal relationships with the leaderships and elites in some former satellite states of the Soviet Union, overlapping strategic interests with China, and its military capacity to pressure smaller neighbors. Realizing its energy security goals includes developing resource-rich areas such as Siberia, the Arctic, and the Caspian Sea and controlling transportation routes. This aim is made more urgent by global concerns over the depletion of natural reserves and growing demand for gas and oil supplies. In the military arena, as we have seen, Moscow has already shown a willingness to intervene militarily in neighboring states, or even to reacquire parts of foreign territory previously part of the former Soviet Union, such as the Crimea, in the name of ethnic solidarity or to preserve its influence in certain quarters of the former Soviet Republics. In addition, Moscow continues to eagerly promote the Eurasian Union, Shanghai Cooperation Organization, and other regional frameworks partly as a counterbalance to Western arrangements.

The present-day and near-term implications of these goals and means for the Asia-Pacific region are largely twofold: first, and probably foremost, both Moscow's troubles with the West and the growing economic importance of Asia as a consumer of energy and commodities virtually guarantee greater efforts to develop Asia-oriented energy resources and supply networks. In fact, a new Russian-style "pivot to Asia" was initiated in 2012, and Moscow's "Energy Strategy 2030," released in 2009, prioritized the development of new oil and gas deposits in the Far East and the diversification of gas sales to Asia.<sup>31</sup> The May 2014 major natural gas pipeline deal with China signals a major step in realizing a stronger position in supplying energy to Northeast Asia. Oil and gas exports to Europe currently account for 52 percent of Russia's government budget and are essential to the Russian economy. If geopolitical tensions between Russia and the West deepen and sanctions are expanded, Russia will probably seek to accelerate its energy move eastward. However, Russia is unlikely to stop exporting gas to Europe entirely and in fact Europe will likely remain Russia's largest energy export destination over the next two decades. Even if current geopolitical tensions ease, though, it is likely that a partial economic reorientation toward Asia will remain a long-term strategic goal for Russia as a major hedge against future Western pressure and a possible means of sustaining long-term economic growth.

Second, and related to the previous point, Moscow will continue, and perhaps strengthen, existing efforts to develop areas of strategic cooperation with China, for obvious economic reasons, and to increase its leverage in dealing with the West (this complex relationship is discussed in some detail in the next chapter). Russia will also seek to use its

energy-based economic clout to improve relations with other Asian powers, notably Japan and South Korea. In the case of Japan, despite a trip by Prime Minister Shinzo Abe to Russia in April 2013 (the first such trip in ten years), relations between Russia and Japan remain strained by an intractable territorial dispute over the Kuril Islands/northern territories. In a Pew Global Attitudes 2012 survey of different countries' opinions of Russia, 72 percent of the Japanese population had an unfavorable view of Russia—higher than in any other country surveyed at that time.<sup>32</sup>

Russia's relationship with South Korea is generally more positive in tone than its relationships with other states in the region. Its connections with South Korea serve several strategic purposes. First, given that South Korea is the world's second-largest gas importer, the relationship provides Russia an opportunity to diversify its energy exports in Asia.<sup>33</sup> Second, South Korea is a source of investment in the Russian Far East, acting as a counterbalance to China's massive investment in the economically underdeveloped region.<sup>34</sup> And finally, both countries favor a similar approach in dealing with North Korea; namely, a gradual transition away from its combative foreign policy that avoids the negative consequences of regime change (for example, refugee flows and economic reconstruction).<sup>35</sup>

In the military arena, Russia's February 2010 military doctrine emphasized cooperation and included antipiracy, counterterrorism, and peacekeeping. However, a reexamination of Russia's military doctrine has been expected for several years. Given the current crisis in U.S.-Russian relations, it is likely that the revised doctrine will point to the United States as the main threat to Russia's security. Nikolai Patrushev, who is tasked with overseeing the review, said as much in a recent interview.<sup>36</sup> The secretary of the Security Council went on to assert that the future would be defined by a divided, multipolar world in which Russia must build relationships with non-European partners, namely China.<sup>37</sup> (Prospects for Russia's bilateral relationships in the Asia-Pacific, including that with China, are discussed in more detail in chapter 4.) In addition, Russian military doctrine will probably continue to place a greater emphasis on rapid movement, the use of special operations forces, and information and cyberwarfare. New, no-notice snap exercises sharpen military readiness and induce strategic uncertainty as to whether forces will swiftly transition from training to offensive operations.<sup>38</sup>

The long-term implications and prospects of these developments for the Asia-Pacific region are difficult to estimate at this point, but they probably do not translate into the reemergence of Russia as a major geostrategic player, largely due to economic reasons, and a likely continued long-term focus on troubled relations with non-Asian regions. As noted in earlier chapters, Russia will face serious, structural economic challenges over the next twenty to twenty-five years. While its commodity-driven growth model allowed it to achieve strong economic growth in the decade before the financial crisis, it appears that Russia's oil and gas industries can no longer ensure its economic growth; despite record high liquids production and (at times) oil price levels, its economic growth has slowed.<sup>39</sup>



According to analysis from the World Bank, the recent slowdown in growth indicates that Russia's economy is operating at close to its potential output and that the slowdown is structural—rather than cyclical—in nature. Russia's economy is heavily invested in tangible assets (oil) and infrastructure but lacks a range of high-quality manufactured products and intangible assets, such as institutions for managing volatile resource earnings and regulating enterprise.

To improve its economic growth, as vividly demonstrated by the heavy impact of falling oil prices, Russia must reduce its dependence on oil and diversify its economy, address its institutional weaknesses, strengthen transparency and competition, and improve the quality of public investment. Given that no major structural reforms are currently planned, it is likely that Russia's economic growth will continue to suffer over at least the medium term.<sup>40</sup> And the potential for a prolonged period of lower oil and gas prices, possibly with oil prices in the range of \$70 per barrel, which would also significantly bring down Russia's natural gas export prices, suggests that energy earnings and economic growth could be much lower than expected.

## Taiwan

Taiwan has four broad objectives that together shape the island's national security strategy and foreign and defense policies: to sustain popular confidence in the ability of the government to protect Taiwan's physical security and to ensure economic prosperity and political freedom in the face of a growing Chinese threat; to maximize all possible political, diplomatic, and military assistance provided by the international community, particularly that supplied by the United States; to ensure Taiwan's continued access to overseas markets and sources of materials and technologies necessary to sustain its growth, security, and international influence; and to create and sustain an indigenous military capability sufficient to deter China from attacking Taiwan.

Interactions with China clearly shape Taiwan's overall foreign and defense policy objectives. On the one hand, Taipei continues to strive to improve its economic, social, and cultural contacts with Beijing to assist its own development and lower cross-strait tensions. On the other hand, Taipei seeks to avoid a situation whereby Beijing can use the mainland's growing links with the island to either pressure Taipei to accept its approach to reunification, or to increase pressure on Taiwan to come to terms with China in a manner that compromises Taiwan's interests.<sup>41</sup> Both the ruling Nationalist Party (Kuomintang) and the opposition, pro-independence Democratic Progressive Party support economic diversification from overdependence on China. Moreover, a strong majority of the Taiwan public (including younger Taiwanese) is opposed to unification with China, with a substantial majority also opposed to formal independence; rather, public opinion strongly supports maintenance of the status quo. In light of these factors,

no Taiwan government is likely to formally declare independence or move toward political unification with Beijing during the time period of this report.

In light of strong support in Taiwan for the status quo, however, one aspect that remains unclear is whether, over time, Beijing would decide that it needed to use force to bring about reunification. Such a move would likely be not because Taiwan had moved to *de jure* independence, but because it seemed to be moving to consolidate permanent separate status on a *de facto* basis. At times this has been a matter of serious concern in China. In more recent years, Beijing has seemed confident it can, albeit over a rather long period of time (decades as opposed to years), win sufficient support in Taiwan that some form of unification will become acceptable. But one cannot assume such confidence will be sustained over twenty-five years, and hence the possibility of use of force cannot be ruled out.

Given the growing cross-strait imbalance in military capabilities, Taiwan has shifted toward a defense doctrine emphasizing survivability and deterrence. Rather than defeating PLA forces, the aim is to prevent landing forces from establishing a foothold in Taiwan. This includes hardening infrastructure targets, diversifying and dispersing key defense assets, and taking a less capital-intensive offensive defense posture involving asymmetric counterforce capabilities (for example, land-attack cruise missiles, faster and smaller radar-evasive vessels and submarines, and electronic warfare).<sup>42</sup> And, of course, relying on the United States to come to its aid if necessary.

## India

India's national strategy has two main prongs: to gradually enhance its conventional and strategic deterrence posture to protect its sovereignty and territorial interests, and to foster economic growth via diplomatic, economic, and security means.<sup>43</sup> India has been an enthusiastic proponent of the role of multilateral forums, such as UN peacekeeping and inclusive regional Asian institutions, in solving security challenges, including non-traditional issues such as piracy. These efforts are set against the backdrop of strategic autonomy as the core, likely enduring, principle of India's foreign policy—that is, the determination to maintain freedom of action and avoid becoming beholden to any major power, including the United States.

Analysts classify India's security priorities into four concentric geographic circles:

1. Domestic: internal insurgencies in Kashmir, unrest in the northeast states, and Naxalite insurgents in the central states. Such insurgencies are aggravated by porous borders with Nepal and Bangladesh, which serve as sanctuaries for insurgents.
2. Immediate neighborhood: South Asia, including land borders and relations with Pakistan and Sri Lanka. These areas are vulnerable to sporadic spikes in violence. Of particular concern to New Delhi is Pakistan's possession of nuclear weapons.

3. Expanded neighborhood: the Persian Gulf, Middle East, and Central Asia to the west, and Southeast Asia and China in the east. India has interests in protecting sea-lanes, managing rivalry and cooperation with China, enhancing India's role in Asia, and combating the threat of Islamic extremism.
4. Global: a greater international role, with aims of establishing a permanent seat on the UN Security Council, expanding ties with Africa, and meeting economic and energy needs.<sup>44</sup>

India's continued economic growth (which will likely accelerate if new Indian leaders are able to implement substantial reforms), expanding commercial and energy interests, and acquisition of nuclear capacities will continue to prompt a more expansive foreign and security policy and the broadening of military doctrine beyond traditional territorial defense. This will likely include stronger expeditionary capabilities, particularly in the air and sea domains, as well as contributions to UN peacekeeping operations. Some Indian officials are also reportedly contemplating sending troops overseas to defend national interests rather than simply under the UN mandate.<sup>45</sup> However, to be effectively channeled into enhanced power projection, any increased defense resources generated from a robust economic base would have to be complemented by a more coherent national security strategy.<sup>46</sup>

A more militarily powerful India in the future could affect Chinese military doctrine and strategy by heightening Beijing's concerns over potential security competition on the South Asian subcontinent in border regions and in Tibet. This may be especially true if current predictions that prime minister Narendra Modi will take a tougher position on border disputes with China prove correct, although the recent trend has been to shelve these disputes in favor of economic exchanges.<sup>47</sup> At the same time, South Asia in general is likely to remain a region of secondary security importance for China, compared with China's eastern maritime periphery or even continental Southeast Asia.

A more globalized, open, and engaged India will almost certainly seek to play a more prominent role in the Indian Ocean and beyond, primarily to protect its growing economic interests. Such efforts could affect the strategic calculations of several other regional actors, from China and the United States to Japan and South Korea, all of which rely on sea-lanes across the Indian Ocean for access to energy and trade resources. These states' precise sense of Indian behavior would further depend on the perceived orientation of Indian security policy. If New Delhi is seen to be aligning with the United States and its allies, for example, concerns would likely be raised in Beijing, leading to an enhanced Chinese naval presence in the Indian Ocean littoral.

At present, both Indian and Chinese maritime strategies vis-à-vis the Indian Ocean are driven largely by defensive commercial and energy imperatives rather than explicit security competition or containment. This dynamic could potentially change in a more

offensive direction in the future, given continued acceleration of military developments and deployments in the Indian Ocean. However, it is also plausible, although probably less likely, that shared economic and strategic interests in energy security and antipiracy efforts would encourage deeper security cooperation.

Many Indian observers have expressed fear over an alleged Chinese intention to create a “string of pearls” in the Indian Ocean—a network of naval bases encircling the South Asian subcontinent, supposedly stretching from Pakistan to Sri Lanka to Bangladesh and Myanmar.<sup>48</sup> Such fears have affected India’s military and security diplomacy with other Asia-Pacific countries, as will be discussed in chapter 4. However, in reality, Beijing is not constructing a string of bases encircling Asia and has indicated no intention of doing so; such a Chinese strategy is highly unlikely to materialize in at least the near to medium term. Beijing’s capacity to project military power in the Indian Ocean remains relatively minimal, and in the next twenty-five years or so it is likely to continue to focus primarily, although certainly not exclusively, on the Pacific and near seas.<sup>49</sup> Chinese presence in the Indian Ocean region has been largely commercial (for example, port infrastructure development). Its limited (albeit growing) naval presence in the area will likely remain focused for many years on antipiracy missions, showing the flag, and generally increasing Chinese political and diplomatic leverage along India’s maritime periphery. (Whether these missions eventually expand to include more ambitious activities protecting sea lines of communication, or SLOC, against even formidable navies is an open question, as discussed elsewhere.) In addition, if China ever were to attempt to construct such a network of bases, its infrastructure would be vulnerable to Indian air and submarine strikes, and any efforts to transform ports into military bases would easily be tracked by external observers.<sup>50</sup> Moreover, despite India’s own naval weakness, it has been gradually increasing its naval assets, actively participating in multilateral maritime security frameworks, and helping its smaller neighbors with capacity building. All of these endeavors are contributing to India’s own power and influence in its maritime periphery.

India supports the idea of “maritime multilateralism” to underpin order at sea, rather than relying on the United States to safeguard such global maritime stability. With regard to the settlement of maritime boundary disputes, India has first pursued bilateral diplomacy (for example, with Pakistan and various Southeast Asian countries), but it has also agreed to arbitration (for example, with Bangladesh) under the United Nations Convention on the Law of the Sea (UNCLOS). This contrasts with China’s vehement opposition to arbitration or multilateral resolution of its own territorial maritime disputes in the East and South China Seas. More broadly, however, both India and China value the role of UNCLOS as the core framework for governing the global maritime system, not least its provision for expanded state jurisdiction over continental shelves and exclusive economic zones (EEZs). They thus differ from the U.S. *mare liberum* interpretation of UNCLOS in terms of permissible military activities, such as passage, reconnaissance,

and exercises in other states' EEZs. But New Delhi remains by far more amenable to naval cooperation and joint training with the United States, and it certainly views U.S. actions with much less suspicion. Beijing, meanwhile, responds much more overtly and strongly against U.S. freedom of navigation activities in its EEZ.<sup>51</sup>

This divergence in Indian and Chinese attitudes toward the role of the United States is similarly reflected in each country's search for energy security. While both are concerned about SLOC vulnerability at choke points such as the Strait of Hormuz and are involved in collective security efforts against threats such as piracy, Beijing fears a blockade by the U.S. Navy during conflict, while New Delhi prefers to "free ride" on Washington and fears reduction in U.S. naval capabilities.<sup>52</sup>

Ultimately, this suggests that India and China continue to differ in their perceptions of the American role in the global order (maritime or otherwise). While India may not always see eye to eye with the United States, it remains a strategic partner that for the most part appreciates Washington's role in providing public goods and counterbalancing Chinese power. Beijing sees U.S. naval capacity as a tool for American interference in other states' interests and maritime disputes.

## Vietnam

Perhaps partly due to its history of victorious war against larger foreign powers, Vietnam has a tradition of pursuing an independent foreign policy vis-à-vis both China and the United States. Hanoi has a complicated historical relationship with Beijing, involving a land war in 1979 and periodic maritime clashes in the 1980s, early 1990s, and various incidents since 2007, along with efforts to maintain workable, if not amicable, political and diplomatic relations. Both sides have exhibited a tendency toward brinksmanship. Alongside a notable effort to build up maritime and defense capabilities focused on its nearby areas, Vietnam is likely to continue forms of "soft balancing," including strengthened security links with the United States, Japan, and India, as well as activity through ASEAN, the East Asian Summit, and other regional institutions.<sup>53</sup> Given the current strategic imbalance between Vietnam and China, Hanoi's most plausible, realistic strategy will be to build up a deterrent military capacity while simultaneously pursuing diplomacy to resolve territorial disputes.<sup>54</sup>

There are some fears that as a result of recent maritime flare-ups, China and Vietnam will adopt isolationist and protective trade policies toward each other. However, given China's recent periphery diplomacy initiatives, it seems unlikely that either Beijing or Hanoi will seek such exclusionary economic initiatives as a deliberate spillover of foreign policy strategy, unless relations deteriorate to an unprecedented level.<sup>55</sup>

## Indonesia

Under Indonesia's president, Joko Widodo ("Jokowi"), Jakarta will most likely emphasize an externally oriented diplomatic and security strategy that increases Jakarta's international clout, bolstering economic competitiveness as well as power projection capabilities at sea, in the air, and in cyberspace.

That said, Indonesia is not likely to become a significant regional security actor in any foreseeable time frame, although it could play a more significant role on narrow nearby issues. The Indonesian Minimum Essential Force—a concept meant to establish the minimum scale of military capabilities the country needs to deploy in response to strategic threats by 2024—prioritizes more internal security threats like terrorism, internal conflicts, and natural disasters over external threats such as protecting territorial integrity or balancing against neighboring states.<sup>56</sup> At the same time, shifts in capabilities and additional deployments around the Natuna Islands (including fighter aircraft, attack helicopters, and maritime patrol vessels) will be an important part of Indonesia's military modernization process.

Although China is currently more of a potential threat than an actual long-term threat, should Beijing imperil Indonesian territorial integrity or its right to explore resources within its EEZ, Jakarta would likely reevaluate its security doctrines and policies. Energy will be an important issue given that Indonesian firms have already started foreign partnerships in offshore gas exploration, with production slated to begin in 2024.

Although Indonesia is not a claimant state in the South China Sea disputes, China's "nine-dash line" overlaps with Indonesia's EEZ around Natuna Island, which contains significant offshore gas deposits and rich fishing grounds.<sup>57</sup> This will lead to growing concern as Beijing increases its military and paramilitary activity in the area, with sporadic standoffs between Indonesian and Chinese maritime law enforcement vessels already occurring. Moreover, China's apparent discovery and history-based claims to disputed territories and nearby waters runs contrary to the land features-based definition of waters found in UNCLOS, which forms an important basis of territorial integrity for Indonesia as the world's largest archipelagic nation. Overall, Jakarta will thus continue to juggle attempts to protest China's nine-dash line without admitting a dispute exists, helping to resolve the disputes through diplomatic and legal means, and challenging Beijing on its claims while maintaining a strategic relationship.

## The Philippines

Defending strategic maritime interests, particularly in the South China Sea, and deterring Chinese military presence and assertiveness will be key driving forces in the Philippines' security policy for many years to come. Domestic security concerns, including the Muslim

insurgency in the south, have been abating in recent years, providing an opportunity for the Philippines to reorient its defense priorities outward. The focus of Manila's approach in the South China Sea is the resolution of maritime jurisdictional disputes, which are related to, but distinct from, territorial disputes. Determining the character of maritime features and the rights and obligations from corresponding entitlements can in principle be done through the UNCLOS framework, which does not address disputes over territorial sovereignty. The Philippines will likely continue to seek to determine the legal status of features in the Spratly Islands, clarify China's nine-dash-line claim and challenge its "historic rights" over fishing and navigation, and generally ensure freedom of navigation in the South China Sea. As part of this effort, it will continue to pressure Beijing by pushing its claims in international tribunals such as the Permanent Court of Arbitration.

Recent defense agreements with Washington would increase the U.S. military presence and access to facilities in the Philippines, but neither the United States nor Australia (both of which have been involved in capacity building with Manila) is inclined to become directly involved in a conflict with China over disputed land features in the Spratly Islands, such as the Scarborough Shoal. Accordingly, while Manila will continue to rely on the U.S. presence as a deterrent, it will also work to invest in its own military and internationalize its security relations with other countries. However, barring a highly unlikely massive level of outside military assistance or a major increase in defense spending, the Philippines' naval and air capabilities will remain significantly outmatched by those of China.

## Australia

Australia's relevance to the security environment in the Asia-Pacific region stems mainly from its role as a U.S. ally. While foreign policy analysts have discussed Australia's strategic dilemma between China as an economic partner and the United States as a security guarantor, Canberra will most likely continue to embrace Washington more closely, though not at the expense of its political and economic engagement with China. This foreign policy orientation is grounded in several considerations. First, although China is an important economic partner, Australia's economy is highly diverse and its trade relationship with China is largely one-dimensional. That is, China is dependent on Australian iron ore and cannot easily redirect demand to exercise potential strategic leverage over Australia. In addition, domestic politics and public opinion have historically strongly supported the U.S.-Australia alliance, in partial contrast with other U.S. partners in the Asia-Pacific. Moreover, the United States has been a critical provider of security goods (including protection, training and matériel, intelligence, and access to foreign policy elites) at relatively low cost for Australia. A weakened alliance would significantly increase security costs and threats for Canberra. Thus, Australia is more likely to seek an active role in Asia-Pacific security in close tandem with Washington, and Canberra will continue to prefer U.S. leadership as the means of maintaining regional stability.<sup>58</sup> While



Canberra will not seek to jeopardize its economic and diplomatic relationships with Beijing, it is confident that it can manage this relationship alongside its relationship with the United States.

Australia is far enough removed from North Korea, Taiwan, and the various island disputes that these threats do not factor significantly or imminently into its national security calculus. Nevertheless, it wants to avoid getting embroiled in a U.S.-China conflict over, for example, Taiwan. An important component of Australian security strategy is to encourage or even facilitate peaceful interactions between China and the United States through greater strategic dialogues and tripartite and multilateral institutions. Canberra sees itself as a useful mediator that understands both sides and can help avoid a U.S.-China confrontation.<sup>59</sup> At the same time, Australia will likely take a back seat to more central U.S. allies such as Japan or South Korea when it comes to shaping future debates and strategies.

## EFFECTS ON CONFLICT AND COOPERATION

The above analysis of the most important trends and features concerning national objectives, military doctrines, and approaches to the use of force provides a basis for optimism and pessimism toward the future of the Asian security environment. This mixed assessment reflects the enormously transitional nature of national developments in many key countries in the region. In other words, some forces militate against aggression and push toward greater cooperation in national objectives, while others drive toward greater tension, confrontation, and possible conflict.

### **Asia-Pacific powers will continue to stress peaceful development.**

Asian countries will likely continue to place a high priority on market-oriented economic development and workable, if not always amicable, foreign relations with regional powers and distant nations over the next several decades. As we have seen, most of the national objectives of regional states involve development goals that require many more years of attention to peaceful growth and the maintenance of stable societies. This focus is further underlined by a variety of serious domestic challenges that will require a relatively peaceful external environment, as discussed in chapter 1.

Although it is possible that domestic instability in China will contribute to confrontational or hostile actions at times, it is unlikely to result in severe and prolonged interstate conflict, especially with other major powers. It is also unlikely that China's economic growth strategy of heavy participation in foreign trade and investment will transition, even over the long term, to a strategy of *de facto* economic autarky dependent on domestic drivers of growth. A very significant proportion of Beijing's economic growth rate will remain highly (indeed, probably increasingly) interdependent on foreign trade, investment,



technology transfer, and foreign energy supplies. As long as China's leadership remains largely internationalist-oriented, it will continue to show sensitivity to the enormous costs of transitioning away from the growing globalization of the Chinese economy.

**Deepening globalization will increase the need to cooperate in handling transnational concerns.**

The forces of globalization, including economic integration and growing nontraditional, transnational security threats (for example, climate change, pandemics, and WMD proliferation) also incentivize cooperation in interstate relations and more cooperative national objectives. In the economic sphere, no major powers currently espouse mercantilist approaches to economic development that involve the establishment of exclusive spheres of economic and political influence over external energy sources (a caveat to this statement is presented below). The level of regional economic integration is an important factor driving greater levels of restraint, if not cooperation, in Asia's maritime and other disputes. This economic integration includes trade flows, foreign direct investment, and exchanges of people. The greater the levels of economic integration, the higher the costs of conflict that threaten to disrupt these links. Trade, in particular, requires stable and safe sea-lanes, which could be threatened by sustained maritime disputes.

Moreover, virtually all states recognize the dangers posed by nontraditional, transnational security threats and the need for greater international cooperation in handling such threats. While some states, such as North Korea, apparently see advantages in acquiring nuclear weapons and proliferating WMD technology, the main states of the region realize the need to cooperate in opposing such developments. These positive transnational features are likely to continue over the long term, given the expected continuation of the forces of economic globalization and the worsening dangers presented by transnational security threats.

**Powers are unlikely to adopt expansionist or aggressive grand strategies and military doctrines.**

No countries in the Asia-Pacific currently hold national objectives or military doctrines based on the seizure of foreign territories undisputedly controlled by others, a notion of inherent superiority over other peoples, or other basic beliefs that could generate aggressive or militaristic conduct toward outsiders. Although plagued by some historical animosities, contests over relatively small, disputed territories, and differences in development levels and political systems, nations (other than North and South Korea) are not locked into mutually hostile, zero-sum sets of national objectives or military doctrines. Most nations would prefer to further peaceful contacts with the outside world and peacefully manage differences over resource and sovereignty claims. Moreover, although the military doctrines of some important states (notably China and the United States) involve notions of offensive and (sometimes) preemptive power projection, such operational

concepts do not imply that national security policies also exhibit a preference for aggressive military actions, especially against major powers. However contentious individual disputes may be, all major Asian states recognize the presence of regional and global trends in favor of cooperation and the peaceful resolution of issues.

Unfortunately, the aforementioned positive trends coexist with several negative—at best neutral—factors influencing national objectives, military doctrines, and approaches to the use of force.

**Differences in Chinese and American approaches to preserving regional stability in Asia will continue to increase.**

The most significant negative trend derives from conflicting views held by the United States and China regarding the best means of preserving national and regional stability and prosperity over the long term. Washington continues to believe that only American maritime military predominance can provide the regional security required to achieve stability and prosperity. Beijing increasingly believes that it must acquire the means to limit or possibly even eliminate American maritime predominance in the Western Pacific in order to preserve its own security and attain its national objectives. This difference is playing out primarily along China's maritime periphery, where China's acquisition of so-called counterintervention or A2/AD-type capabilities challenges the freedom of action of the U.S. military. Such capabilities also have significant implications for China's handling of a variety of sensitive regional security issues (for example, maritime territorial disputes, the Taiwan issue, and the activities of foreign militaries operating in Beijing's EEZ and air defense identification zone).

Both Washington and Beijing apparently believe that attaining such security objectives in the Asia-Pacific region requires an array of power projection-oriented capabilities and a military doctrine that places a premium on taking the initiative, showing resolve, and acting decisively in a crisis. In past crises (particularly in the 1950s and 1960s), both Washington and Beijing displayed a tendency to use the military to demonstrate their resolve and ability to control crisis escalation. For China, the need to show resolve and act decisively often seemed to derive from the perceived need to deter further escalation by the adversary; strengthen support for the leadership domestically; and, in some cases, compensate for relative material weakness when confronting a more powerful adversary. Similarly, U.S. decisionmakers were often motivated by a need to deter further escalation and strengthen support for the political leadership domestically. However, such actions also frequently reflected a long-standing belief that the United States, owing to its superior military power, enjoys escalation dominance in any confrontation.

This volatile mix of conflicting military approaches to regional order, combined with a common offensive orientation toward crises, the use of force, and growing military capabilities, could eventually result in significant adverse changes in China's stance toward

foreign military activities in Asia (for example, surveillance along the Chinese coast), especially activities conducted by the United States. Equally worrisome is that a sense of declining relative military capabilities, coupled with a continued desire to maintain U.S. military supremacy, reassure allies, and deter adversaries could induce Washington to adopt a more assertive, even aggressive, approach in managing a crisis. However unlikely it may seem at this point, if strategic rivalry became sufficiently intense, U.S. efforts to sustain maritime predominance and overall strategic leverage in Asia could result in fundamental changes in specific national policies and objectives. This could include efforts to prevent movement toward the peaceful reunification of mainland China with Taiwan; include Taiwan in a larger, alliance-centered security structure designed to contain China; or overtly support rival claimants to China in maritime sovereignty disputes.<sup>60</sup>

**Nationalist sentiments in key states will almost certainly grow and could become more aggressive.**

A second troubling trend derives from the forces driving nationalism and (in some cases) regime survival in key states. China and North Korea are under increasingly strong pressure from domestic political forces or nationalist sentiments or both to place a high premium on the aggressive defense of certain core foreign policy interests associated with regime legitimacy. In North Korea this involves the preservation of a regime ideology of militant opposition to American “imperialism” and forcible reunification of the Korean Peninsula. In China this includes territorial sovereignty claims. The increased nationalism in China is driven not only by economic success and growing nationalist pride and confidence, but also by technology. The growing reach of social media raises the awareness of national publics in a way that could produce greater nationalist demands for economic protectionism and an aggressive foreign policy. Such pressures are likely to increase over time.

These developments could significantly lower the threshold for the use of military force and increase the chances of miscalculation in a crisis, even in the absence of any fundamental change in basic national interests or objectives. Moreover, they could result in a more muscular, less accommodating stance toward many potentially volatile issues, such as maritime disputes. For example, China might include a clarification of the nine-dash line as indicating that all of the waters within it constitute, at the very least, a Chinese exclusive economic zone or historic rights to exploit the resources within the line. Similarly, although ordinary Chinese increasingly mention Chinese claims to the Ryukyu Islands/Okinawa, such claims have not been repeated, much less adopted, by the Chinese government. Movement in that direction by top Chinese leaders would be a major indication of the emergence of an ultranationalist leadership in Beijing. Beijing might also discard its preference for the indefinite shelving of territorial disputes in favor of a more aggressive approach designed to resolve disputes to China’s advantage.

There is a current of thought in Chinese policy circles that favors such a hard-line shift, not only in the handling of maritime and other disputes with foreign states, but also more

broadly in China's "peace and development" strategy for attaining its national objectives. Even if Beijing does not adopt a significantly more muscular set of security objectives toward potential maritime threats along its periphery, over the coming two decades, Beijing (and other powers) will almost certainly have a far greater military and paramilitary presence within the first island chain. This creates greater means for states to respond in maritime disputes—and greater opportunities for conflict. As a result, conflicts that occur are likely to be more intense simply because states have more assets to deploy.<sup>61</sup>

A significant deterioration in China-Taiwan relations (discussed in the next chapter) might tempt Beijing to employ its growing economic leverage over the island for political ends. However, such a move would constitute a significant gamble, given the attendant political and economic costs. It is also possible that an overall deepening of the China-Taiwan economic relationship might lessen the likelihood of cross-strait conflict.

To a great extent, North Korean behavior is a wild card, subject to decisions made by a highly insular, insecure, and militant leadership clique. Accordingly, it is extremely difficult to predict. Concerns about regime survival and a host of severe social, economic, and political problems could result in a more hostile stance toward Seoul and Washington or even aggressive military action of various types. Of course, China, the United States, South Korea, and Japan can influence the calculations of North Korea's leadership clique. Beijing in particular could either precipitate or prevent the decline of the Pyongyang regime by choosing to apply pressure or provide assistance at a much higher level than it has done in the past. Despite the array of obstacles, North Korea certainly has the potential to develop economically, particularly if it were to accept Chinese-style market reforms and open itself to the outside. However, the intense nationalism of the North Korean leadership, combined with its ideology of militant hostility toward South Korea, does not augur well for such positive changes in national objectives.

Japanese nationalism and concerns over growing Chinese military power and the sustainability of U.S. security commitments could drive Tokyo toward a more autonomous and muscular foreign policy. This would probably involve an expanded set of national security objectives, a more offensive-oriented military doctrine, and a more aggressive stand on sovereignty disputes. This development could in turn create greater tensions with South Korea and possibly even the United States, thus diminishing the effectiveness of the tri-lateral alliance relationship (this point is discussed further in the next chapter). However, given current economic, political, and social constraints in Japan, as well as the many benefits of the U.S.-Japan alliance, it is very unlikely that Tokyo would go so far as to abandon the peace constitution, invest significant resources into defense, and drastically diminish—much less end—security ties with the United States. Such extreme changes are highly unlikely, even in the face of a vastly increased threat from China or North Korea and a major decrease in the U.S. military presence. Nevertheless, actions considerably less severe could still produce tension and instability in the alliance relationship.

Perhaps more important, a more autonomous, militarized, or activist Japan would greatly increase tensions with China, which in turn would significantly increase the likelihood of more serious incidents (possibly armed clashes) over the disputed Senkaku/Diaoyu Islands. Such a shift could produce a fundamental change in Chinese objectives toward Japan. This would perhaps entail a move away from an effort to improve or sustain bilateral diplomatic and economic relations (a strategically important goal for Beijing in the past) toward an unreservedly hostile stance designed to weaken and undermine Japanese power regionally and beyond. Obviously such destabilizing changes in national objectives and military doctrines are highly interactive; that is, threatening Chinese behavior could also push Japan to alter its cooperative, engagement-oriented national objectives in favor of a more zero-sum stance toward Beijing. Ultimately, the current force of increasing nationalism could push national objectives and doctrines in very adverse directions, especially in Northeast Asia.

Tensions over more muscular policies associated with increasing nationalism and growing military capabilities would be most likely to increase under the following conditions:

- The absence of codes of conduct and crisis management mechanisms. These measures provide either mutually accepted norms that states follow or enhanced communication during a crisis.
- Simultaneous challenges to China in multiple disputes. If Beijing believed that it faced multiple challenges in both the East and South China Seas (or in another domain), it might have a greater incentive to use force in one area in order to deter a challenger in another. This is also true of a scenario in which multiple states contest the same territory, as in the South China Sea.
- Challenges during a period of intense domestic unrest (for example, a significant economic slowdown, leadership transition, or leadership split). During periods of domestic instability, China and other states are likely to view challenges to their sovereignty as an effort to capitalize on their domestic problems. As a result, they attach increased importance to signaling their resolve in disputes.

**Despite some dangers from growing nationalism, the new Indian leadership appears inclined to pursue pragmatic economic cooperation with China and other states.**

India's foreign policy under the new Modi government remains unclear due to the fact that foreign policy was not an issue of major concern during the recent election. More likely than not, India's posture on the international stage will be shaped by its success (or lack thereof) in tackling domestic economic and social challenges. This will affect the extent to which New Delhi can afford to be externally oriented. Thus far, however, Prime Minister Modi has demonstrated an approach that is focused on greater global engagement and a pragmatic attitude toward major actors, both of which are in line with his focus on generating economic growth. This includes maintaining a positive partnership

with the United States and pursuing economic links with Pakistan and China while simultaneously defending India's national security interests, particularly in territorial disputes. Modi is also likely to pursue closer economic and security cooperation with Japan.

While most Indian nationalism has been directed internally against the Muslim population, it could eventually be channeled toward anti-Chinese sentiment, particularly as a rallying cry for efforts to press New Delhi to act in territorial disputes along the Sino-Indian border. Nevertheless, despite the sometimes nationalistic tenor of Indian media and elite discourse, policymakers across parties and business sectors have been pragmatic in dealing with China. They see greater potential in economic interdependence as opposed to strategic rivalry. There is a general domestic consensus that India needs good relations with China, and the public is moving toward seeing China as more of an opportunity than a threat. This view, however, is not reflected within the Indian military establishment.

**Movement toward economic integration could—counterintuitively—produce exclusionary or coercive policies in response.**

Another trend that could produce adverse changes in national objectives derives from the forces driving economic integration in Asia. Although such integration generally builds incentives among nations to cooperate, it can also generate suspicions and tension. Partially a result of intensifying levels of economic competition, it is also due to the effect of regional economic arrangements in excluding or undermining the influence of some major states, either deliberately or unintentionally. For example, Beijing might develop or adapt various trade, investment, or financing initiatives to increase its influence in ways that are perceived to be at the expense of Washington and other states. Primary potential examples of such initiatives include the so-called land and maritime Silk Road economic belts, various economic corridors in South and Southeast Asia, and the Asia Infrastructure Investment Bank. Although ostensibly designed to increase links between the Chinese economy and other Asian economies in mutually beneficial ways, if successful, these initiatives could diminish U.S. and Western economic influence in Asia by strengthening intraregional patterns of economic development, excluding outside participation in their activities, or undermining the utility of the Asian Development Bank, the International Monetary Fund, the World Bank, the International Energy Agency, and other existing regional or global institutions. Moreover, this Sino-centric economic influence could eventually be used to encourage other Asian states' acceptance of an alternative security architecture to the U.S.-led hub-and-spokes system.<sup>62</sup> U.S.-supported multilateral economic initiatives that currently exclude China and other Asian states, such as the Trans-Pacific Partnership, could have similar consequences for those countries.

Whether such initiatives, and their economic or political-security consequences, would actually make national objectives in China, the United States, or elsewhere more muscular and threatening is another question. For example, exclusive trade or financial arrangements



would potentially violate World Trade Organization regulations and set off trade wars unless Beijing could persuade Washington and others to avoid such a situation by offering compensatory economic benefits. This type of dynamic could produce significant frictions, though it could also promote positive competition that significantly expands free trade options for more economies. Overall, the impact of such multilateral initiatives on national objectives will depend to a great extent on the future strength and vitality of the U.S. economy, especially in Asia, and on the specific actions and reactions of Washington, Beijing, and other regional states to the unfolding process of Chinese-led economic integration.<sup>63</sup> As noted, the process is not fated, structurally or otherwise, to produce conflict.<sup>64</sup>

### **Countries will become increasingly dependent on energy imports.**

Increasing dependence on energy imports could produce adverse changes in national objectives and military doctrines. Regional and global trends in energy production and supply indicate a growing level of dependence, on the part of China and several other Asian nations, on imported energy, primarily in the form of oil and natural gas. While increasing energy imports might suggest, for some observers, increasingly intense levels of interstate competition and conflict in Asia over available supplies, regional and global demand for energy is not expected to outstrip projected supply levels to any major degree over the next several decades. The current consensus outlook is for a fairly tight market similar to what exists at present, but not a world of diminishing supplies.

As a result, oil prices are expected to rise gradually from the price averages over the past four years of \$100 to \$110 per barrel, to about \$130 by 2040 (in real 2013 dollars). However, it is also possible that in the wake of the expansion of new hydraulic fracturing technology, the rapidly rising outlook for U.S. oil and shale gas production, and the likely diffusion of that technology abroad, prices could remain at current levels for many years.<sup>65</sup> The recent sharp plunge in oil prices is seen by most analysts as a short-term aberration that will rebalance over the next several years back toward the \$100 range as demand growth gradually absorbs the near-term excess supply. As a result, an overall militarized, zero-sum competition for control over energy supplies among several Asian states is highly unlikely, absent the emergence of a Cold War–type environment between Washington and Beijing. However, energy factors could still produce greater tension and confrontation among states in Asia.

The most important energy-related dynamic that could produce an adverse change in national objectives stems from China's efforts to increase its energy security and the U.S. and allied reaction to such efforts. The growing importance of imported energy for China, and increasing concern over energy security, could lead Beijing to intensify mercantilist efforts to obtain reliable energy sources and develop a blue-water navy designed to protect its maritime energy supply routes. It could also result in more aggressive actions toward disputed maritime territories in the South and East China Seas that could contain

significant energy resources, as well as more assertive policies toward the Middle East. Any of these actions could increase the possibility of confrontations between China, Japan, the United States, and other Western nations.

Fortunately, while such developments cannot be dismissed out of hand, many are unlikely to occur, even over the long term, or will not necessarily result in confrontations or conflict. Although Beijing will continue its efforts to increase its overseas equity energy holdings, employ its national oil companies to gain greater access to energy supplies, and utilize long-term supply contracts where possible, it will probably move toward greater reliance on energy markets and market pricing overall. This is in part because Beijing will not be able to compensate fully for possible interruptions in oil and gas imports or sudden fluctuations in price by relying primarily on overseas equity holdings or long-term contracts. Even if Beijing could compel its national oil companies to provide their overseas oil and gas supplies exclusively to China at below existing market prices, the resulting amounts would fall far short of China's projected needs. Moreover, if China were able to lock up a certain portion of overseas energy supplies either in normal times or during a crisis, it is unlikely that such a development would threaten the supplies of other nations. The vast bulk of global oil and gas supplies are under the control of foreign governments and are largely subject to global market demand. That is unlikely to change. Hence, the competitive global oil market will remain the primary source of China's imported energy supplies and that of other energy-consuming nations.

This should gradually reduce China's instinct to use state power to secure oil supplies abroad and allow for more reliance on integrated markets, investment, and prices to achieve energy security. Domestic energy market reforms are also moving gradually toward letting markets and prices determine energy development. However, this is probably a twenty- to thirty-year process that also depends heavily on the global energy market environment. It is important to note, though, that if a more insecure, volatile, and high-price global oil market emerges, the mercantilist approach based on national oil companies could last longer and become more aggressive. Alternatively, if a more predictable, low-price, stable market emerges, Beijing's mercantilist approach will disappear much more quickly.

Even though China is certainly developing more potent naval and air power projection capabilities of potential use beyond the Asian littoral, there is no clear evidence that it is officially committed to an effort to build sophisticated blue-water naval capabilities that could independently "secure" its energy supply lines against the highly capable navies of the United States or even Japan or India. At present, Beijing is more focused on developing a dedicated oil tanker fleet that could reliably continue shipments of oil from the Middle East and elsewhere in the event of a disruption occurring in the global commercial tanker fleet due to a global economic crisis. But such a dedicated fleet would arguably make China more, not less, vulnerable to military threats to its energy supply routes by



clearly identifying which distant tankers contain oil bound for China, something that is extremely difficult to do under current conditions.<sup>66</sup>

Another factor that should gradually ease Beijing's anxieties about the security of imported energy supplies is its major program to build strategic oil stockpiles as insurance against supply disruptions. China has progressed roughly 50 percent of the way toward building a strategic oil stockpile of 500 million barrels by 2020. This would represent roughly seventy-five days' worth of total oil imports by 2020 and, like the oil stocks of the International Energy Agency (IEA) member countries, provides a vital insurance policy against severe supply shocks. Moreover, Beijing is increasingly aware that the potential for IEA members to release substantial strategic oil stocks to bring down global oil prices in the event of a major disruption provides another cushion to China to ease the potential impact of a major oil price shock.

Moreover, even if China develops a blue-water navy designed to protect its energy supply lines, a strong case can be made in favor of U.S.-China naval cooperation, not competition, in the defense of sea-lanes. Several Chinese analysts have recently advocated thinking about closer U.S.-China cooperation in guaranteeing the energy sea-lanes and working for greater stability in the Persian Gulf. This is an area where creative diplomacy might make real progress over the next five to ten years. However, it is certainly possible that the Chinese military and others might pressure China's leaders to devote greater resources to the acquisition of more robust, long-range power projection capabilities in order to increase China's strategic advantage and guard against threats to its overseas resource interests by a declining America. Nevertheless, blue-water forces would probably not be combined with a new, aggressive military doctrine designed to intimidate energy suppliers or challenge competitors. The exception is if the United States or other major powers undertake efforts to restrict China's access to external resources—an unlikely prospect.

Beijing will gradually be forced to take a more active role in the Middle East, due to China's growing dependence on Middle East oil and liquefied natural gas, growing energy and petrochemical investments, and a greater number of workers and businesspeople in the region. However, Beijing is reluctant to be drawn into Middle Eastern politics; it wants to access the oil and gas supplies, do well in its investments, and keep out of the morass. As the United States and others have learned, it is extremely hard to shape or control events or regimes in this region. Nonetheless, China will be forced, like others, to use economic, financial, and diplomatic levers to try to protect its interests. A moderating factor in this case could be future gas and oil supplies from Russia. In the wake of Russia's Ukraine intervention and Western sanctions, Russia and China are significantly strengthening the future development of Russian oil and natural gas exports to China and Northeast Asia.

A key question will be whether Beijing is willing to work more closely with the United States to maintain stability in the Middle East and the Persian Gulf as it inevitably

becomes a bigger player in that region. At present, Beijing is ambivalent about U.S. power in the region. It criticizes U.S. hegemony and intervention but would not want the United States to reduce its role in the Gulf and leave China's oil supplies to the tender mercies of conflict in that volatile region. The case for collaboration between China and the United States is very strong, and the mere suggestion that the United States might reduce its Gulf commitments has generated considerable creative thinking in Beijing concerning Chinese policy toward the region. As China becomes a global power that is more connected to oil market outcomes, Chinese leaders seem likely to become more aware of the systemic nature of the risk to global oil prices coming from Gulf instability.

Ultimately, the most likely energy-related driver of adverse changes in national objectives involves Chinese policies toward the resource-rich, disputed waters along China's maritime periphery or within the first island chain. It is very possible, even likely, that disputes between China and other claimants over disputed waters in the East and South China Seas will worsen over the next several decades. However, the likelihood that such a crisis would be directly precipitated by economic (in other words, resource-related) events is not terribly high, for several reasons. First, it is very unlikely that any new resource discoveries would prove sufficient to cause China or other claimants to alter existing policies that favor a peaceful solution to the disputes and instead employ military force in an attempt to "seize and hold" the resource area. Second, over the next decade or more, it is likely that no claimant, including China, will have the capacity to undertake such military operations in the vast areas of concern. But even if China eventually acquires such a capability, such a basic shift in approach would drastically undermine Beijing's fundamental reform-era foreign policy strategy and possibly precipitate a military confrontation with the United States. Neither development would serve Chinese interests. Unlike a movement by Taiwan toward formal independence, the stakes involved in such a crisis are not sufficiently high to merit either country's taking significant risks through direct military action. Incentives on both sides to resolve any crisis peacefully would remain extremely high. Indeed, incentives will probably remain high to negotiate some means to jointly exploit the resources of these areas.

None of this means that Beijing will not attempt to use its growing capabilities to pressure or intimidate other claimants in order to improve its political and diplomatic position without fighting. In fact, the more likely way in which energy could be a factor in South and East China Sea territorial disputes is if claimant states use offshore oil and gas exploration licenses and blocks as a tool in setting out territorial markers. For example, in 2014 Beijing very deliberately placed its HD 981 deep-water exploration rig in waters claimed by Vietnam as a clear territorial marker. Vietnam and other countries, including the Philippines, also have invited foreign companies to bid in exploration blocks that overlap Chinese nine-dash-line claims. Hence, these mechanisms would be more in the mode of potential "triggering" factors, but driven by underlying sovereignty claims rather than energy itself.

# INTERSTATE BILATERAL AND MULTILATERAL RELATIONSHIPS



## OVERVIEW AND SIGNIFICANCE

Long-standing political, economic, and diplomatic values, norms, associations, and interests among and between states and regions can exert an important independent influence on the long-term security environment. Such factors include formal alliance and security relationships; multilateral security arrangements; and long-standing non-alliance ties, relationships, and historical memories. To a great extent, such structures, relationships, and attitudes constitute the underlying, often enduring, perceptual and habitual foundations that can shape and sustain national objectives, military doctrines, and approaches to the use of force; influence trends in defense spending and military acquisition; and dampen or exacerbate domestic instability in major states. At the same time, such relationships and variables are shaped by developments occurring among the other three sets of variables covered in the previous chapters.

## INTRODUCTION OF THE VARIABLES

### Formal Alliance and Security Relationships

Formal alliance structures and other security relationships can form and disappear in response to changes in national interests and state behavior. However, for our analysis,

this set of variables is limited to existing, long-standing alliance relationships; most important, the formal bilateral security alliances between the United States and Japan, South Korea, the Philippines, Thailand, and Australia, and the long-standing security relationship between the United States and Taiwan. The decades-old U.S. alliance structure forms the bedrock of the U.S. security posture across the region and would likely change only gradually or in response to major shifts in the overall security environment. The only other formal security alliance relationship in the Asia-Pacific region is between China and North Korea.

Alliance or quasi-alliance expectations and assurances influence, or even determine, critical assumptions and beliefs about the regional security environment and the security roles played by alliance members. For alliance partners of the United States, for example, the alliance has created a level of confidence in, and dependence on, the United States as a source of enduring regional order and stability. It has also created a sense of commitment and obligation to one another in the security realm and other areas as well, including political relationships. However, while serving as an asset, both types of perceptions can also be a potential liability, facilitating and constraining certain types of security and political behavior. For example, alliance commitments can draw Washington into some disputes involving allies that it would rather avoid. For U.S. allies, such perceptions can also generate intense anxiety and uncertainty about the extent of the U.S. security commitment at times and can create a general hypersensitivity to any U.S. actions or policies that might signal a weakening of that commitment.

For friendly non-alliance countries or territories, such as Taiwan, the relationship with Washington can also create a sense of confidence in and dependence on the United States given the larger regional peacekeeping functions performed by U.S. forces across the Asia-Pacific region. But, as with allies, these functions can also generate uncertainties and concerns, especially if the United States appears to be reducing its alliance commitments, weakening its capacity to perform critical alliance commitments, or conversely, strengthening alliances in ways that are perceived as destabilizing to the region. Such concerns can have a major impact on states' decisions regarding defense spending and national objectives.

For unfriendly or potentially unfriendly non-alliance countries, the U.S. alliance system and other long-standing security relationships can present a significant actual or potential threat to their security, leading to enhanced levels of security competition or even conflict. Hence, the manner in which the alliance system is implemented over time, including the type of activities conducted among allies and statements of alliance means and objectives, can have a great effect on the security environment. Such factors can increase or diminish threat perceptions and provoke or dampen balancing behavior and other forms of security competition.

Any basic qualitative changes in alliance relationships would undoubtedly affect the larger security environment in Asia to a great degree, possibly in decisive ways. For

example, a significant weakening of Washington's alliance commitment to Japan or South Korea, especially if undertaken rapidly or in the absence of adequate preparation, could produce radical changes in the military capabilities and security behavior not only of the two allies, but also in North Korea and China. Similarly, a significant strengthening of such alliances, in terms of both capabilities and responsibilities, could precipitate significant responses.

### Multilateral Security Arrangements

Beyond alliance structures and relationships, the Asia-Pacific region is home to several multilateral relationships that could shape the regional security environment, especially over the long term. Notable security relationships include the ASEAN (Association of Southeast Asian Nations) Regional Forum, the East Asian Summit, and the Shanghai Cooperation Organization. Key regional economic organizations and agreements include the Asia-Pacific Economic Cooperation forum, the Trans-Pacific Partnership, and the Regional Comprehensive Economic Partnership (the latter two both still under negotiation), along with a tangle of bilateral trade agreements. At present, in the security realm, such dialogues, forums, and organizations serve largely as information-sharing and confidence-building mechanisms of some influence, especially as potential vehicles for the development of codes of conduct regarding sensitive security issues or norms of trade and finance. However, they do not currently exert a major impact on the so-called hard security calculations of major Asian powers.

### Long-Standing Non-Alliance Ties, Relationships, and Historical Memories

In addition to formal alliances and other enduring security relationships, long-standing social, economic, and cultural ties and demographic factors serve to stabilize, increase, or decrease incentives for cooperation or conflict among states. Often, such deep-rooted ties provide a key foundation for formal alliances or other forms of cooperative security and economic relationships. On the one hand, common political, social, and economic systems, along with deep cultural and ethnic ties, can strengthen trust among states, especially when reinforced by common historical experiences and memories. On the other hand, long-standing animosities and prejudices in these areas can seriously obstruct efforts to build more cooperative and productive relationships, especially in the security realm, and in spite of positive incentives in many other areas. Such sentiments often form the basis of deep-seated and enduring levels of distrust and rivalry.

Unfortunately, the Asia-Pacific region is rife with historical rivalries and animosities dating from World War II and the Cold War as well as the much earlier imperialist period—for example, between China and Japan, Japan and South Korea, North Korea and South Korea, China and Taiwan, China and India, the United States and China, China and

Russia, the United States and Russia, Russia and Japan, and among many Southeast Asian nations. Moreover, major regional powers still exhibit strong differences in political systems and political and strategic culture that compound the difficulties confronting any effort to create enduring, broad-based, bilateral, and multilateral security alliances and relationships. However, in many cases major powers with historical animosities, such as China and Japan or the United States and China, share a relatively strong array of common strategic interests that serve to counteract the corrosive effects of these animosities.

## THE VARIABLES IN THE ASIA-PACIFIC

### U.S.-Led Alliance Structure

There remains in the present-day Asia-Pacific region a strong commitment and obligation of the United States to its allies. Although all are regarded as critical, the most important bilateral alliance is with Japan. Secondary, though of great importance with respect to the Korean Peninsula, is the alliance with South Korea. The U.S. alliance with Australia is similarly important, though perhaps less critical, as are the U.S. relationships with the Philippines and Thailand. In very general terms, an increased U.S. emphasis on strengthening alliance relationships is occurring alongside a perceived decline in the overall level of U.S. military and economic predominance in the Asia-Pacific region, as a result of China's growing power and presence and the general economic and political development of the region. In response, the U.S. "rebalancing" strategy is designed to reassure allies and other states that American power and influence will remain sufficient to serve as a stabilizer in the region; deepen bilateral and multilateral involvement and cooperation overall in the region; and caution China and other potential adversaries against undertaking actions that could threaten regional peace and prosperity. Nonetheless, differing views remain over whether and to what degree the United States can increase its presence and capabilities over the long term, and if this will be sufficient to perform its desired functions and goals.

As a result, allies remain concerned about the sustainability of U.S. predominance in the region. Many assume that the United States will not retain its predominance (or that it already is lost) and expect increased U.S. demands on allies for important security functions. Such concerns and expectations interact with growing overall Chinese military and economic power and influence in the Asia-Pacific region and elsewhere, as well as China's greater presence and assertiveness regarding maritime territorial disputes with Japan and the Philippines. This is resulting in increased anxiety in Tokyo and Manila over the levels and type of future U.S. support that can be expected and increased domestic public support for greater military capabilities and, in Japan, a more expanded military role.

In Southeast Asia, the essential challenge confronting the United States is that it provides a security umbrella to allies—at considerable cost to itself—while China provides rapidly growing trade opportunities and tangible private and public investments that support growth and economic development in the region. Trade and investments with China, however, come with the risk that deep integration with the Chinese economy may eventually reduce the independence of Southeast Asian countries in following the domestic and foreign policies of their choosing. The United States will almost certainly not greatly diminish (much less eliminate) its alliance ties in Southeast Asia, so its best option is to offer concrete alternatives or complements to Beijing that support Southeast Asian development priorities, thereby helping Southeast Asian countries diversify their strategic risk.

However, on the U.S. side, a desire to reassure allies and deter China—thereby counteracting impressions of an American decline—could interact with continued economic constraints and allied assertiveness to produce more aggressive actions by Washington than may be necessary or prudent. More extreme changes in the U.S.-led alliance structure over the long term are also possible. While unlikely, these include a major drawdown or withdrawal of the U.S. force presence in the Asia-Pacific region, or greatly increased U.S. force presence, despite political or economic constraints. The former is particularly unlikely, even over the long term.<sup>1</sup>

## A Key Triangle: China, Japan, and the U.S.-Japan Alliance

### CHINESE ATTITUDES AND STRATEGY TOWARD JAPAN AND THE U.S.-JAPAN ALLIANCE

From a national security standpoint, China's leaders view Japan as a key forward base for U.S. forces and a critical political and military support for U.S. policies and actions toward China, especially regarding Taiwan and the Korean Peninsula. For this reason, Washington is almost certainly viewed by many Chinese analysts as a critical force stimulating Japan's pursuit of a more capable conventional military. At the same time, many Chinese also view the United States as a constraint on Japan's willingness and ability to become an independent military and political power.

Although often viewed favorably in the past as a constraint on Japanese "militarism," this function of the alliance is increasingly regarded by many informed Chinese observers as less desirable than a more independent and Asia-oriented Japan. This view has emerged in recent years as a function of several factors. Among them: confidence in China's growing economic, military, and political ability to "manage" a more independent Tokyo—especially given Japan's ongoing political and economic disarray and weakness—and a deepening belief that the United States regards the alliance with Japan as a key component in its presumed effort to counterbalance or "contain" growing Chinese power in the region.



China's leaders also see Japan's national security and defense policies, and in particular its stance toward disputed resource and territorial claims in the East China Sea, as a separate (albeit U.S.-backed) challenge to China's national security interests and a trigger for the expression of intensified Japanese nationalist sentiments and behavior. This outlook was most recently demonstrated during the intensified confrontations over the Senkaku/Diaoyu Islands in late 2012 and early 2013. By exerting administrative authority and claiming undisputed sovereignty over territory that Beijing and large numbers of ordinary Chinese claim was seized unjustly by an imperialist Japan, Tokyo poses a challenge to the competency of the regime in Beijing and to its legitimacy as an agent of Chinese nationalism.

These Chinese attitudes and beliefs toward Japan and the U.S.-Japan alliance translate into a complex set of overall strategic objectives for Beijing. They involve a search for stronger relations with Tokyo in the economic, political, and diplomatic realms, alongside efforts to increase Beijing's leverage over potential areas of bilateral contention (such as resource and territorial disputes), and generally maximize Japan's incentives to avoid aligning itself too closely with the United States or other Asian powers in opposing Chinese interests.

In the security realm, these goals are reflected in a multifaceted Chinese approach involving efforts to:

- deter aggressive Japanese (and U.S.-Japan alliance) behavior regarding territorial and resource disputes (including, of course, Taiwan) and strengthen Chinese leverage in such disputes through the deployment of an increasingly potent set of offshore, regionally oriented, conventional military, paramilitary, space, and cyber capabilities;
- maintain or enhance domestic Japanese sentiment against "militarism" or the development of a more offensively oriented, anti-China military posture in the Western Pacific (either independently, or in alliance with the United States), through the pursuit of increasingly cooperative diplomatic, economic, and military relations with Tokyo (and Washington); and
- more broadly deter or complicate any potential attempt by Japan (or the U.S.-Japan alliance) to threaten the Chinese mainland (in particular China's critical northeast) or maritime economic supply routes through the acquisition of a highly credible set of conventional and nuclear military capabilities designed to defend against direct attacks and threaten Japanese (and U.S.) territory.

It is unclear whether this security strategy includes efforts to acquire the capability to threaten Japan's economic lifeline by posing a credible threat to maritime commercial and energy supply routes at long distances from Japanese territory. As suggested above, such an ambitious sea lines of communication (SLOC) interdiction mission is not reflected in China's current defense doctrine and force modernization program, although a variant of this mission could emerge within the examined time frame should Beijing adopt an extreme trajectory of aggressive ultranationalism.



In support of this overall strategy and as part of its overall foreign policy and military modernization program, Beijing is pursuing a range of specific policies toward Japan and the alliance, including:

- A foreign policy toward Japan that emphasizes the common, long-term interests of both countries in peaceful, stable, and mutually productive relations, while remaining clear and steadfast in defending China's interests in disputed areas and reminding Japanese of the need for Tokyo to avoid giving support to "militarist" elements in Japanese society. This policy also stresses the deepening of Asia-oriented views and approaches in Japan, including enhanced Sino-Japanese-South Korean ties.
- A policy toward the U.S.-Japan alliance that avoids any overt opposition and accepts the existence and—in some limited respects—the (declining) utility of the alliance as a means of restraining Japanese "militarism" and possible nuclearization, while doing nothing to encourage or strengthen it. This policy requires a somewhat delicate balancing act, with Beijing supporting U.S. alliance-based efforts to deter supposedly aggressive Japanese behavior while opposing closer U.S.-Japan military ties.
- A military modernization and defense policy centered on the acquisition of a range of naval, missile, space, air, and cyber capabilities designed to establish a strong, sustained military presence along China's maritime periphery.
- The development of a clearly credible ability to defend Chinese territory from any coercive or kinetic threats and to provide China with critical influence in managing and resolving specific sovereignty, resource, or other disputes involving Japan and the alliance.
- Economic policies and approaches that directly or indirectly encourage closer Sino-Japanese trade, tourism, investment, and technology transfers, thereby increasing Tokyo's commitment to maintaining positive bilateral relations with Beijing while providing China with greater political leverage over Japan.
- A broader set of relations and a formal security concept with Asian powers that stress peaceful coexistence and cooperative bilateral and multilateral political, economic, and military relations, the peaceful resolution of disputes through negotiation, and the creation of regional forums and structures to address common problems. This would provide alternatives to relying on Cold War-style military alliance structures.

Beijing must tread carefully in implementing many of these policies in order to maintain a balance between the need to defuse potentially volatile Chinese public views toward Japan and the need to strengthen productive relations with Tokyo.<sup>2</sup> Differing opinions undoubtedly exist within the Chinese leadership over how best to do this. At one extreme, some leaders likely emphasize a more adversarial approach toward Japan that makes greater political and diplomatic use of China's economic strength and is perhaps more deeply rooted in the strong nationalist sentiments found among some elements of the public.

At the other extreme, some leaders no doubt emphasize the need to increase the level of cooperation and reduce strategic distrust between Beijing and Tokyo, for obvious geostrategic and economic reasons. Between these extremes probably resides a variety of more complex combinations of both views. Overall, these somewhat contending approaches almost certainly exist within a general consensus that recognizes the need to improve China's political and military leverage over Japan while increasing Tokyo's incentives to cooperate with Beijing and adopt security policies that are less dependent on its alliance with the United States. Importantly, China's willingness to conclude a four-point agreement with Japan in November 2014 to defuse tensions over the Senkaku/Diaoyu Islands issue may suggest that pragmatic forces in Beijing have the upper hand for now.

### JAPANESE ATTITUDES TOWARD CHINA<sup>3</sup>

The Japanese foreign policy community recognizes that China prefers a stable and peaceful regional security environment so that it can concentrate on domestic economic development. At the same time, Japanese analysts believe that China is not fully satisfied with the current international order. They see China's conception of national interest as expanding both geographically and substantively, and they fear that aggressive nationalistic voices will become more influential as Chinese military and economic power grows.

In the view of many Japanese defense analysts, China has four objectives for its military buildup: to intercept naval operations in waters as far as possible from the country in order to defend Chinese territory and territorial waters; to develop military capabilities to deter and prevent Taiwan's independence; to acquire, maintain, and protect maritime rights and interests; and to defend the SLOCs for China. As evidence for these attitudes, Japanese observers point to the fact that Beijing has increased the tempo of Chinese air and naval activity in the East China Sea and areas surrounding the Japanese archipelago. Japanese analysts also emphasize that China's People's Liberation Army Navy (PLAN) has adopted an "offshore defensive strategy" that entails the normalization of blue-water exercises, which means more frequent transit of straits adjacent to Japanese islands and the exclusive economic zone (EEZ) claimed by Japan. While criticizing U.S. surveillance activities in the EEZs claimed by China, the PLAN has not only increased patrols and surveys in the waters of Japan's EEZ, but also operates in ways that go beyond the original prior notifications made to Japan under a bilateral agreement. Especially worrisome to Japan is the Chinese military's increasingly provocative behavior toward Japan Maritime Self-Defense Force vessels that track Chinese activity, a behavior perhaps emerging from an increased sense of Chinese confidence in light of Japan's long strategic decline.

Japanese defense analysts attribute this increasing Chinese assertiveness to China's growing economic and military capabilities as well as the influence and quasi-autonomy of the People's Liberation Army (PLA). They are concerned that Chinese overconfidence

might encourage increased levels of reckless behavior. Insofar as China's top leadership wants to continue to focus on national economic development and avoid domestic turmoil, most Japanese observers believe that China will avoid openly challenging the United States and its alliance system in the Asia-Pacific region. Nevertheless, they believe that China seeks to prevent the formation of a tight, multilateralized U.S.-led alliance system that would contain or constrain China from pursuing its interests. Beijing is expected to rely upon a combination of positive bilateral and multilateral diplomatic overtures to Tokyo and other Asian capitals to achieve this end.

Japanese defense planners distinguish between possible high-end conflict with China (such as conflict over Taiwan or a direct military threat to Japan's main islands) and "gray-zone" competition with China (military competition short of war and the ratcheting up of the Chinese military presence and activity near Japan). While U.S. defense planners may put greater emphasis on possible high-end military conflict with China, Japanese counterparts place priority on gray-zone competition that is unlikely to escalate into full-scale war.

Japanese defense analysts are especially concerned about Chinese "low-intensity revisionist actions" in the East China Sea, which include exercising jurisdiction inside Japan's claimed EEZ and territorial waters, developing resources on the continental shelf or waters that China unilaterally claims contrary to Japanese claims, or even occupying the Senkaku/Diaoyu Islands.

Japanese public perceptions of China have become increasingly negative, especially since the aforementioned incidents over the Senkaku/Diaoyu Islands. However, the Japanese public is not necessarily becoming more supportive of a tougher defense policy toward China and of a stronger military alliance with the United States. An *Asahi Shimbun* poll conducted in early 2014 indicated that a majority of Japanese support immediate high-level meetings with China.<sup>4</sup> Moreover, a 2014 *Asahi Shimbun* poll suggested that the Japanese public may not be very supportive of significantly strengthening the U.S.-Japan alliance. More than two-thirds of respondents asserted that Japan's Self-Defense Forces (JSDF) should refrain from cooperating with the United States if the United States were to require such action (assuming the exercise of collective defense was authorized). Only 5 percent support permitting military cooperation with the U.S. Army in conflicts.<sup>5</sup>

#### JAPANESE VIEWS OF THE U.S. REBALANCING TO ASIA AND THE U.S.-JAPAN ALLIANCE

On the whole, most Japanese welcome the Obama administration's policy of "rebalancing" to Asia and find it reassuring that the United States intends to maintain a robust military presence in the Asia-Pacific region. At the same time, however, Japanese observers recognize that the United States will inevitably have to make major cuts in its defense budget and will expect allies to contribute more to common security interests.

Japanese defense policy analysts are extremely interested in the current U.S. debate over several possible future operational military concepts for dealing with potential adversaries armed with anti-access/area denial (A2/AD) capabilities, especially the Air-Sea Battle (ASB) operational concept (discussed in further detail in chapter 6). Their interest concerns the degree of support that concept has in the United States and the consequences it could have for Japanese defense policy. Some believe that the integration of the JSDF into the ASB concept could generate positive synergies that would enhance Japan's ability to defend its offshore islands. Others are concerned that the concept might be used to pull back U.S. forces from the region or draw Japan into a conflict with China. As a result, Washington's apparent failure thus far to specify Japanese roles and missions under these new circumstances is increasingly problematic.

Japanese defense planners currently place a greater emphasis on intelligence, surveillance, and reconnaissance (ISR) activities to monitor Chinese maritime military activity than on integrating Japan into a counteroffensive ASB plan to deny China's A2/AD capability. Whether these Japanese ISR capabilities and operations are developed and carried out independently or in conjunction with the United States will be a key determinant of alliance integrity. Nevertheless, both Japan and the United States have been responding for some time—sometimes together, at least as often separately—to China's A2/AD capabilities. Although improvement of China-Taiwan relations may be reducing the prospect of war, Japanese defense analysts emphasize that the cross-strait military balance is shifting in favor of China. Some are also concerned that a resolution of the Taiwan conflict in favor of China (that is, Taiwan acquiesces to China's notions of reconciliation and ultimately reunification) could yield a strategic situation unfavorable for Japan with respect to China.

#### JAPANESE STRATEGY TOWARD CHINA

Japan's strategy toward China is driven by two overarching factors: the aforementioned expansion of Chinese military power and activities near Japan as cause for concern and a possible threat to national security, and China's increasing importance to Japanese economic interests in terms of trade, investment, and tourism. Anxieties about the political-military implications of China's rise, and the economic attraction of China's growing market, have the potential to pull Japan in opposite directions: either to balance against a possible Chinese political-military threat or to embrace China as an economic partner. Nevertheless, there is general agreement that Japan should pursue a mixed strategy of engagement and hedging, simultaneously embracing China as an economic partner and refocusing the country's defense posture.

Divisions have emerged within Japan's foreign and security policy establishment regarding the pace and extent of change in Japan's policy toward China, in particular how

much cooperation should be emphasized relative to competition, and how soft or hard the hedging component should be. The salient Japanese debate about strategy and policy toward China clusters around two schools of thought: those who support “cooperative engagement with a soft hedge” and those who advocate “competitive engagement with a hard hedge.” Proponents of both schools can be found within Japan’s national security policy establishment, but the competitive engagement viewpoint is becoming more popular.

Cooperative engagement with a soft edge advocates the following efforts: bringing China into the international community as a constructive stakeholder by giving China a greater voice as it rises; promoting a multilayered regional economic and security architecture that includes China, free trade arrangements that include a trilateral Japan–China–South Korea arrangement, and a trilateral confidence-building mechanism between the United States, Japan, and China; maintaining and strengthening the U.S.-Japan alliance while being sensitive to Chinese security interests (especially regarding Taiwan); enhancing the capabilities of the coast guard to protect Japan’s maritime jurisdiction; and modestly modernizing the JSDF for UN-sanctioned peacekeeping operations and the defense of Japanese territory, while limiting defense spending to less than 1 percent of gross domestic product (GDP).

Competitive engagement with a hard hedge advocates approaches that resemble those of cooperative engagement in some ways but differ in key respects: preserving and deepening the liberal international order while engaging China; promoting a multilayered regional economic and security architecture that constrains China—especially through security ties with other Asian states and a reinvigorated U.S.-led alliance system; placing priority on the Trans-Pacific Partnership over possible free trade arrangements that include China; strengthening the U.S.-Japan alliance through greater joint planning and operations; enhancing the capabilities of the coast guard to protect Japan’s maritime jurisdiction; revising or reinterpreting the constitution to exercise the right of collective self-defense and modifying the three non-nuclear principles to buttress U.S. extended deterrence; increasing defense budgets so that defense spending exceeds 1 percent of GDP; and beginning to acquire some weapons systems with offensive capabilities.

Japan’s current policy trajectory toward China closely approximates “cooperative engagement with a soft hedge,” but it is certainly moving toward a hard hedge. Apart from economic and strategic calculations, this approach tends to be sustained due to domestic factors such as fiscal constraints on defense budgets, constitutional and legal constraints on defense doctrine and operations, and the resilience of pacifist sentiments in the Japanese public.

As a result, if, over the next fifteen to twenty years, a clear Japanese strategic shift to “competitive engagement with a hard hedge” is to take place, two simultaneous external developments must occur: the emergence of a highly capable and blatantly aggressive

Chinese military policy toward Japan and the U.S.-Japan alliance, and clear signaling of American expectations of a more robust Japanese defense response to China's hostile military posture as the price of a continued U.S. security commitment to Japan. Absent such changes, Japanese defense policy toward China will almost certainly remain reactive, limited, and incremental due to powerful domestic political and economic constraints. Moreover, Japan will behave erratically in response to particular events or crises—a reflection of the strategic dilemma that exists between countering China's rise as a military power and embracing China as an economic opportunity.

#### U.S. STRATEGY TOWARD JAPAN AND THE ALLIANCE

In looking to the future, U.S. leaders realize that Japan faces conflicting pressures in addressing China's growing military capabilities. Japanese ambivalence and restraint, China's growing economic and military influence in Northeast Asia, and Washington's current economic malaise combine to challenge the ability of the United States to craft an effective policy toward Japan and the alliance. Such a policy must simultaneously meet three basic goals: reduce fears that future U.S. political-security policies toward China might expose Tokyo to unwanted pressure from Beijing or reduce the credibility of U.S. security assurances to Japan; facilitate the peaceful handling of Sino-Japanese territorial disputes and encourage the development of a more cooperative overall relationship; and maximize the likelihood that Tokyo will acquire the kinds of capabilities and policies that are deemed necessary by Washington to defend U.S. and allied interests in the face of a more assertive, rising China.

Achieving such goals will almost certainly involve significant trade-offs. The more Washington reassures Japan about the lasting nature of its security commitment, the less inclined Tokyo could be to strengthen its defense. Conversely, fewer reassurances might prompt Tokyo to accommodate Beijing at the expense of Washington or become more nationalistic and militaristic. Such complexities place a premium on developing a clear and common understanding with Tokyo of the long-term responsibilities of both sides in the alliance and, equally important, establishing a high level of confidence in the ability of the other party to meet its future obligations. This requires the development of a clear and realistic understanding of the future structure and purpose of the alliance with regard to China and security in Northeast Asia.

#### China–North Korea Alliance

Weakened Chinese support to its security ally, North Korea, is likely to continue. Since the North Korean attacks on the *Cheonan* and Yeonpyeong Island in 2010, Beijing has been more willing to place pressure on Pyongyang and voice its opposition to provocative

rhetoric and actions. There has also been increased strain in the China-North Korea relationship in the aftermath of the death of Kim Jong-il and the execution of Jang Sung-taek, as well as the string of North Korean ballistic missile and nuclear-weapon tests. Beijing will maintain low to non-existent expressions of support for any aggressive North Korean action against South Korea or the United States and will remain opposed to the North Korean nuclear program and any provocations directed against South Korea.

Barring a change in Chinese policy, however, Chinese willingness to cooperate with the West over North Korea will likely approach a natural limit. Although Beijing would prefer to see a denuclearized Korean Peninsula, it will likely remain more concerned about internal instability, which will limit any pressure it places on Pyongyang. China is likely to continue to support or seek influence over North Korea economically and to some extent diplomatically, in order to prevent both North Korean provocations and a North Korean collapse. Pyongyang is arguably dependent on Beijing for essential food and energy supplies, and some observers believe that such support makes North Korea more aggressive toward the United States, South Korea, and other powers. However, it is also possible that North Korea would become even more aggressive if Chinese economic support were withdrawn.

The influence of historical experiences from the Korean War will continue to serve as a bond between China and North Korea. China will oppose either a power vacuum on the Korean Peninsula or unification under the influence of the U.S.-South Korea alliance. It remains almost impossible to foresee conditions under which China might essentially abrogate its alliance with North Korea and convey support for a reunified Korea under South Korean auspices. The collapse of North Korea or severe internal disarray could emerge over time as North Korea becomes more exposed to the outside world—assuming its economy remains severely dysfunctional.

China's redlines with regard to North Korean behavior are North Korea starting a military conflict or using nuclear weapons. Anything less—including the ongoing development of nuclear weapons—would most likely be tolerated by China, with a breakthrough in U.S.-China cooperation remaining unlikely. Moreover, China's policy approach toward North Korea will not be developed in isolation from other regional security concerns. If the United States wants China to take stronger action toward North Korea, Beijing will likely expect the United States to accommodate China on its areas of concern. This may include an acceptance of the broader Chinese definition of its core interests, especially as it relates to the territorial issues in the East and South China Seas.

Beijing might become more willing to consider making a deal with the United States and South Korea under the following two conditions: if Beijing were to decide unilaterally that a reunified Korean Peninsula was a better option than a divided one in which North Korea possesses nuclear weapons (something that the Chinese leadership does not



currently seem to believe); and if the Chinese were to believe that active cooperation with the United States in managing the demise of North Korea could lead to a united Korean Peninsula without nuclear weapons, without a U.S. military presence, and without an alliance with the United States. Under such circumstances, China might become a more cooperative partner.

### North Korea–South Korea–United States Relations

The evolution of this long-standing, hostile triangular relationship could exert a major impact on the overall regional security environment, especially given its close connection to both the U.S.–China relationship and the U.S.–Japan alliance. Historical memories and experiences, as well as common Korean ethnic and cultural ties, play a major role in influencing interstate dynamics. The views and interests of the major powers involved, including the United States, China, and Japan, will likely remain fairly steady over time absent major provocations or changes emanating from North Korea. Indeed, the policies and actions of North Korea constitute the major independent variable affecting this trilateral relationship and remain hard to predict.

Shifting South Korean policies toward North Korea could also have an impact. While Seoul was more restrained in the past, it has now changed its rules of engagement to allow rapid (and proportionate) military responses to North Korean provocations. If Washington continues to prefer restraint to avoid escalation, tensions may emerge from diverging alliance priorities. Moreover, Seoul will be unhappy if the United States is perceived as bypassing South Korea to work directly with Beijing. Diverging perspectives on the importance of certain bilateral relationships will continue to impede progress under the Six-Party Talks framework; Seoul views the inter-Korean relationship as being of primary importance, while Pyongyang places more importance on the U.S.–North Korean relationship. The development of a credible miniaturized warhead and delivery system by North Korea could also significantly alter the dynamic by undermining confidence in U.S. extended deterrence and causing strains in the alliance if Seoul and Tokyo decided to acquire independent nuclear capabilities or launch preemptive strikes.

### Japan–South Korea Relations

Tokyo and Seoul have both incentives and disincentives to cooperate closely as alliance partners. They both have a desire to support the United States in maintaining regional stability and to respond to provocations from North Korea. However, South Korea is far less committed than Japan to strengthening deterrence capacities against China and is more committed to maintaining close and amicable ties with Beijing. Equally important, negative South Korean public and elite attitudes toward Japan persist due to historical animosities, the dispute over Dokdo/Takeshima Island, and concerns over



Japanese militarization. Nevertheless, recent South Korean public opinion polls suggest that support is increasing for improved South Korea–Japan relations—including security cooperation—as a response to China’s rise. At the same time, an increased number of South Koreans see the U.S.–South Korea relationship as potentially competitive, in the wake of U.S. support for Japan’s expansion of collective self-defense. This suggests that perceived U.S. support for a militarily stronger Japan could eventually harm South Korean perceptions of the United States.<sup>6</sup> This pattern of crosscutting interests is likely to continue and could eventually create divergent views between Seoul and Tokyo regarding the purpose and function of the U.S.-led alliance system.

### Cross-Strait Relations and the Taiwan Issue

The cross-strait situation has become far more stable and cooperative than during the Chen Shui-bian era with the steady development of economic, financial, and social contacts, as well as significant—albeit limited—political interactions. Recent tensions and changes in public attitudes suggest that Taipei is unlikely to push for formal independence or permanent separation unless the U.S.–China relationship becomes intensely hostile. But major tensions, confrontations, and even conflict are still possible, especially over the long term. The evolution of cross-strait relations will depend greatly on the tenor of the U.S.–China relationship and the calculations of Beijing in particular.

The potential for confrontation and conflict between Beijing and Washington stems from the ongoing interaction among three sets of factors: China’s claim to sovereign authority over the island, combined with its increasing political, economic, and military ability to press this claim; Taiwan’s refusal to accept China’s claim or to be intimidated by Beijing’s growing capabilities; and the U.S. commitment to ensuring that any resolution of the Taiwan imbroglio will occur peacefully and with the uncoerced consent of the people of Taiwan. This fundamental dynamic has remained unaltered, despite recent improvements in both cross-strait and U.S.–China relations.

It is highly unlikely that any of these three factors will change over the foreseeable future in ways that would permit a final resolution of the Taiwan issue and remove it as a disruptive element in U.S. policy toward China. Beijing shows no signs of reducing its claim to Taiwan, and no current trends suggest that it will do so in the foreseeable future. To the contrary, as long as China continues to increase its economic and military capabilities and remains politically stable and unified, it is not unreasonable to assume that Chinese nationalist sentiments will grow and that Beijing’s claim over Taiwan will, at the very least, remain steadfast.

At the same time, it is very unlikely that Taiwan will suddenly accept Beijing’s offer of a “one country, two systems” relationship across the strait. Equally unlikely is that Taiwan will significantly reduce its pragmatic, cautious support for the status quo (manifested

in support for policies that maximize Taiwan's economic prosperity and political freedoms while avoiding any actions that might provoke Chinese aggression or reduce U.S. support). It is also extremely unlikely, barring the emergence of a full-blown strategic rivalry or conflict between the United States and China, that Washington will significantly alter its balanced policy approach to handling the Taiwan issue. This approach is widely viewed by U.S. policymakers as fundamentally sound in principle and is likely to remain so for some time, even as some quarters call for its revision.

Despite the low likelihood that these policy stances will change in the future, it is possible that various elements could alter in ways that either increase or decrease the challenge presented to U.S. policy in managing the Taiwan situation. First and foremost, there is a danger that China could become more assertive over time with regard to its claim to Taiwan. Such increasing Chinese assertiveness is not terribly likely in the short term. However, it could become likely in the medium to long term if contacts and political relations across the Taiwan Strait deteriorate significantly or stagnate, thus reducing movement toward some future *modus vivendi* or resolution of the issue; U.S.-China relations deteriorate, thus increasing the likelihood that Taiwan will become a source of strategic rivalry between the two governments; and China achieves a level of military capability that lowers the risks involved in pursuing a more coercive approach toward the island. These three possible trends are clearly mutually influential.

Tough talk notwithstanding, the PLA and Chinese political leaders are not eager to fight a war over Taiwan and, even as China's asymmetric capabilities are developed, there is no reason to believe that responsible civilian or uniformed authorities will favor a military confrontation if unification can be accomplished through other means. While not often openly discussed, thought has been given in Beijing to the likelihood that the United States, Japan, and other key players would not recognize a declaration of independence by Taiwan. Actions by Washington and others that could stop movement to *de jure* independence in its tracks without Beijing's having to take any military action would suit Beijing's purposes well. It might well be that China would make known its preparedness to use military force if necessary, which would provide an incentive for the United States and others to back Taiwan down from provocative action.

Japan-Taiwan relations will be an area of growing concern for Beijing. Some see Japan acting in an "extra-alliance" fashion to develop its own role and assist Taipei in maintaining its separate identity, even though Japan adheres to its own version of a "one China" policy. (Like the United States, it does not accept Beijing's position, but "fully understands and respects" the Chinese position that Taiwan is "an inalienable part of the territory of the People's Republic of China.") For example, Tokyo signed a recent fisheries agreement with Taipei relating to the Senkaku/Diaoyu Islands dispute, in large part to ensure that Taiwan and China do not join forces to apply pressure on Japan.

Although the United States does not see unification as a strategic threat, many Japanese observers do. Washington would not stand in the way if unification were arrived at through a process that was not coerced and as long as U.S.-China relations were in good condition. Tokyo, in contrast, would likely shape its policies to entice or pressure Taipei away from unification. This could then lead to significant divergence of interests between the United States and Japan, possibly straining the alliance relationship. Nevertheless, such a scenario is unlikely to occur, even over the last years of the twenty-five-year time frame examined in this report.

China is very suspicious of Taiwan's relationships with other countries and with Taipei's ambition to sign economic cooperation agreements—more or less the equivalent of free trade agreements—with a wide range of countries. Chinese officials express an understanding of Taiwan's need to broaden its economic ties. Still, they want to make sure that such ties do not violate the partner economy's pledge to Beijing regarding “one China” or lead Taiwan to reduce the importance it attaches to cross-strait economic ties by diversifying Taiwan's export markets. This attitude runs up against political concerns within Taiwan about overdependence on the mainland and its implications for ultimate unification. If, over time, Taiwan is reasonably successful in its diversification efforts, it is unclear how Beijing would respond. More likely than not, it would apply pressure on Taiwan's economic partners rather than on Taiwan itself, where the political blowback could be substantial. In any event, if Beijing were seen to be seriously obstructing Taiwan's relations with other countries, this could contribute to a negative trend in Taiwan's views of the mainland, reversing gains from the “hearts and minds” campaign of recent years and possibly contributing to renewed tensions. Over time this attitude could consolidate opposition to unification.

### India in the Asia-Pacific Region

In coming decades, New Delhi is likely to favor a multipolar international and regional order, though short of Indian leadership or parity, it would prefer U.S. to Chinese leadership. In addition, India will continue its push to engage and embed itself in the Asia-Pacific region through economic relationships and multilateral frameworks, both for its own development and to increase its influence in the region.<sup>7</sup>

While India will probably seek actively to deepen security and broader bilateral cooperation with the United States, it will continue to prize its strategic autonomy. Continued rapprochement and long-term strategic coordination between New Delhi and Washington are more likely than a formalized bilateral alliance and perhaps even a genuine security partnership.<sup>8</sup> Intensified U.S.-China rivalry could push India to either tighten ties with the United States (if India sees itself as weaker and unable to balance China on its own) or plausibly adopt a more independent balancing role.

The Sino-Indian relationship will likely continue to be characterized by both rivalry and cooperation. It will remain distrustful, though—incidents along their disputed land border notwithstanding—not outright adversarial on a strategic level. On the positive side, bilateral trade has expanded substantially, and the two countries often have convergent interests on global issues such as climate change, trade negotiations, and labor and environmental standards. Yet India's trade deficit with China has been growing, and it has filed more antidumping complaints against China at the World Trade Organization than any other country. Moreover, there is little sign of reduced strategic distrust regarding a range of security issues.

Wary mutual Sino-Indian security attitudes are informed by long-standing sources of contention including bilateral sovereignty disputes along the India-China border and Chinese support for Pakistan via arms sales and nuclear assistance. In New Delhi, such wariness also stems from broader perceptions that China's rise could present a military threat, provoke competition for spheres of influence, stimulate resource competition, and even engender economic conflict. For its part, Beijing is wary about Indian influence in Tibet and the potential for New Delhi's position on that issue to incite unrest within its borders. On balance, New Delhi could come to see China as its greatest future external threat (eclipsing that of Pakistan), while Beijing will almost certainly continue to view India as a second-tier strategic concern.<sup>9</sup> However, if India is able to overcome its domestic economic, political, and social impediments discussed above and starts to play a more proactive role in the Asia-Pacific region, China's strategic calculus could well be altered.

In part stemming from the largely unsubstantiated fear that Beijing is implementing a "string of pearls" strategy to surround and contain India, New Delhi has strengthened security diplomacy and coordination (including military exercises) with countries along China's southeastern and eastern peripheries, notably Japan, South Korea, Vietnam, and Myanmar. In Southeast Asia, India has also pursued joint oil and gas explorations with Vietnam in disputed waters (a move that has been strongly criticized by China) and voiced support for ASEAN-related platforms and a code of conduct in the South China Sea.<sup>10</sup>

In future years, India may expand upon these efforts, particularly if it feels unable to respond to a growing military asymmetry with China, and especially if China grows significantly more assertive in the region and along the Sino-Indian border. In particular, it may be more inclined to develop a closer, more explicit political and strategic relationship (perhaps even an alliance) with the United States while bolstering its own military power within that framework, similar to what Tokyo is seeking now. Some observers also predict increasing India-Japan strategic cooperation (partly propelled by Tokyo's active courting of New Delhi), as a means for the two states to balance against a more powerful China.<sup>11</sup> Such observers point to the democracies' shared political ideals and values, common threat perceptions of China stemming from territorial disputes and the PLA's

steady modernization, and common interests in ensuring freedom of navigation and open SLOCs in both the Western Pacific and the Indian Ocean.<sup>12</sup>

Despite these commonalities, however, a significant U.S.-India or India-Japan strategic partnership is likely only in relatively extreme scenarios of heightened threat from Beijing that leaves India feeling vulnerable and outmatched. More generally, many observers are skeptical of the prospects for New Delhi to align with other countries to balance China, not least given the fact that India, with PLA forces stationed along its borders, would be particularly vulnerable in any anti-China coalition. It is as much in India's interests to adopt a "friendship" policy toward China with the more pressing objectives of reaching a final settlement on territorial issues, disrupting Beijing's entente with Pakistan, enlisting Beijing's support for India's security interests in Nepal and Bhutan, and limiting PLA presence in the Indian Ocean.<sup>13</sup> Moreover, as illustrated by China's recent periphery diplomacy initiative to proactively and positively engage with neighboring countries,<sup>14</sup> Beijing could well have a greater desire to adopt such cooperative (if not conciliatory) approaches to pry New Delhi away from any emerging coalition led by the United States and Japan to contain China.

On balance, India is likely to continue to act as a swing state in Asia in coming years, furthering economic cooperation with China and hedging against Beijing's growing military might, while boosting political ties with the United States and other countries in the region but avoiding overt security agreements.

### Russia and Its Interactions With China and the Asia-Pacific Region

Although Russia has played a largely peripheral role in the Asia-Pacific region in recent years, some analysts fear the creation of an anti-Western, Sino-Russian authoritarian axis or even alliance. It is certainly true that an increasingly isolated Moscow has been actively pursuing closer partnerships with China, particularly since the Ukraine crisis. As indicated in previous chapters, broader economic integration with Asia is becoming important for Russia's domestic economy, and Beijing is capitalizing on this development to secure economic agreements on its own terms. The Ukraine crisis boosted China's leverage during final negotiations in 2014 over a \$400 billion, thirty-year gas supply agreement—a deal that had been under negotiation for ten years—giving the Chinese favorable pricing terms. While a significant memorandum of understanding concerning the deal was reached in March 2013 resolving issues on shipping routes and volume, agreements on price, payment, and investment conditions were not reached until shortly before the deal was signed.<sup>15</sup>

Western sanctions have also seemingly prompted Moscow to enhance cooperation with China in the realm of arms sales. In October 2014 it was announced that China and

Russia were preparing to sign contracts for the delivery of S-400 missile systems and Su-35 fighter jets. The S-400 is currently Russia's most advanced air defense platform; if delivered, China would be the first country to receive it. A deal for the Amur 1650, Russia's newest submarine, is also reportedly under consideration. Although Russia has been a large supplier of weapons to China since the fall of the Soviet Union, concerns over Chinese reverse engineering of Russian weapons led to increasing tensions and a decline in arms sales in recent years. If completed, the provision of advanced weapons systems to China would represent a notable modification in Russia's position.<sup>16</sup>

Despite the cooperative rhetoric, the Sino-Russian relationship is likely to remain transactional and characterized by mistrust as well as strategic competition in areas such as Central Asia. China's goal is not to confront the United States overtly, and Beijing will remain cautious in supporting Russia politically, especially on international platforms. Similarly, Moscow will remain wary of growing Chinese economic and military power. Both countries will continue to have competing ambitions for leadership and influence, particularly in Central Asia and the Shanghai Cooperation Organization (SCO). While Beijing promotes the Silk Road Economic Belt, Moscow is pushing for its own Eurasian Economic Union and blocked the establishment of an SCO development bank that would draw most of its capital from China. Although prior arms sales helped to bolster China's sea denial capabilities and this military cooperation has supported Russia's domestic defense industry, trends over the past decade indicate Russian reluctance to supply China with the most advanced weapons systems.<sup>17</sup> As suggested above, however, increasing isolation and sanctions from the West could drive Moscow to support China's maritime buildup, since such capabilities would not be directly applied to Russia as a land-based neighbor.

Nevertheless, to prevent overreliance on China, Moscow has been diversifying relations with two other Asia-Pacific states, Vietnam and South Korea. This includes arms sales to Hanoi and proposals for linking up the trans-Siberian railroad to a trans-Korean system. More generally, Russia is trying to develop the economy of its eastern region—particularly its oil and natural gas resources. Tapping the rapidly growing energy markets in the Asia-Pacific is a major goal in the Energy Strategy of Russia through 2030.<sup>18</sup>

Russia's relationship with Japan will continue to be challenged by a misalignment in perceptions of each other's priorities. Russia believes that Japan is desperate for access to its natural resources and will compromise on other aspects of the relationship (for example, territorial disputes) in order to keep Russia on the sidelines of the Sino-Japanese confrontation. Similarly, Japan believes that Russia needs Tokyo's cooperation to avoid overreliance on its relationship with China.<sup>19</sup> Ultimately, neither Moscow nor Tokyo sees its relationship with the other as a policy priority, and both are willing to subordinate the relationship to maintain strong ties with Beijing and Washington, respectively. This

dynamic has plagued the Russo-Japanese relationship for the past twenty years, and that is likely to continue.

Generally speaking, Russia faces a challenge of perceptions in its pivot to Asia. Asian states view Russia as primarily European, rather than Asian, and thus do not view Russia as heavily invested in the security dynamic of the region. Russia's strategic significance is accordingly limited to its role as a provider of natural resources and conventional weapons. Even in the South China Sea—where the deterioration in the environment has prompted states, such as Vietnam, to turn to Russia as a partner in balancing Chinese power—cooperation has remained primarily defined by the Russian supply of energy resources and weapons. As long as these perceptions remain, Russia will find it difficult to increase its influence in the region.

## Multilateral Political-Security Arrangements

### ASEAN, APEC, AND THE SCO

The Association of Southeast Asian Nations, the Asia-Pacific Economic Cooperation forum (APEC), and the Shanghai Cooperation Organization constitute three important sets of relationships in East and Central Asia. Of these organizations, ASEAN and its associated forums and institutions will arguably be the most important for the Asia-Pacific security environment over the long term. It constitutes the only truly broad-based, multilateral set of security and economic interactions and includes the East Asian Summit (EAS) and ASEAN Plus Three (APT). As facilitator, convener, and peacemaker, ASEAN can serve as a venue for regional dialogue and community building. Indeed, it has done so on weapons proliferation, transnational crime, terrorism, maritime security, and other topics. However, its ability to serve such functions and its general impact on the regional security environment depends primarily on the calculations and influence of its major member states and other major powers in the region, especially China and the United States. Depending on these factors, ASEAN can also serve as a venue for interstate rivalry and competition.

China is more active in the APT than in any other multilateral Asian organization; moreover, it is the most active member of the group. Beijing will continue to place primary emphasis on the APT because its experience thus far indicates that it has the greatest potential among regional forums for becoming the key mechanism in building an East Asian community in which China can exercise a significant role. Not coincidentally, the APT does not include the United States. At the same time, Beijing will remain cautious, will continue to endorse (at least rhetorically) ASEAN's leading role, and will probably not overtly seek to undermine the U.S. role in regional mechanisms such as the EAS, at least over the short to medium term. China will also likely continue to resist substantial multilateral cooperation on hard security issues, including, over at least the short to medium



term, a binding code of conduct in the South China Sea. This will remain a major obstacle to the concrete success of multilateral arrangements in Asia. For that matter, Washington will also probably look askance at genuine, “hard security”-oriented multilateral security arrangements, fearing that they might undermine the U.S.-led alliance system.

The SCO functions primarily as a mechanism for coordinating counterterrorism activities, military confidence-building measures, and economic arrangements among its members. Realistically speaking, however, the SCO has not been particularly effective. The joint military exercises of SCO members are more symbolic than a genuine demonstration of a shared capacity and commitment, and the exercises have declined in size and scope in recent years. In general, on most critical issues SCO members act individually and in accord with their respective national interests rather than collectively. In addition, although China wants the SCO to play a much stronger economic role, Russia wishes to use it to augment its security presence in Central Asia. These competing objectives, coupled with growing rivalry between Beijing and Moscow as each seeks to establish a leadership role in the organization, have led to tensions in recent meetings. Some observers also see the SCO as a declining organization in light of its failure to support Russia’s stance on the Georgia issue and the growing emphasis among its members on bilateral cooperation in many areas.

Finally, in principle, the SCO can serve as a means for its member states (including China) to resist or (less likely) support U.S. influence in Central Asia, as evidenced, in the former case, by the denial of observer status to Washington in 2005. However, although Beijing has worked to discourage any long-term U.S. military presence in the region, it has thus far avoided directly challenging that presence, including through the SCO. In fact, it seems to fear the instability that might result from a complete U.S. departure from Afghanistan. Overall, China’s primary focus in Central Asia and within the SCO has been on other issues, particularly counterterrorism, separatism, and the search for stable, long-term energy resources.

#### DEVELOPMENT OF MULTILATERAL ENERGY GOVERNANCE

Progress in bringing China into regional and global energy security institutions has the potential to significantly reduce energy-driven tensions and direct Beijing’s focus to common regional and global cooperation rather than its traditional narrow pursuit of national advantage. Many areas of competition could become more open to diplomacy and common understanding if the region could develop a regional energy security forum or dialogue.

On the global level, Beijing is not keen on working closely with the International Energy Agency—perceived as a “rich-country club”—but seems to prefer that the G20 play a larger role on energy security cooperation. This preference suggests that China is moving



toward accepting multilateral and global cooperation as a part of its energy security calculus. However, the unwieldy G20 is not a practical forum for coordinating emergency stocks and energy market management. At best it could comprise a confidence-building mechanism since it includes large producers and exporters (Russia, Saudi Arabia, and Mexico) as well as major importers (China and India). In a positive sign, Beijing has agreed to work with Washington on strengthening its future ability to manage its strategic oil reserves.

Beijing also appears to be interested in carving out space in regional groups such as the SCO for energy cooperation, precisely because the United States is excluded and the forum thus allows Chinese dominance. The preference for bilateral, regional, or G20 arrangements risks seriously undermining the International Energy Agency's long-term effectiveness. China seeks to strengthen its energy ties with Eurasia and appears to have long-term ambitions to build oil and gas pipelines to China from Iran and Iraq, as well as possibly from the Pakistani port of Gwadar. The impact of expanded Sino-Iranian energy trade on U.S.-China relations would depend heavily on the status of Iran in U.S. diplomacy. Ultimately, Beijing's movement toward multilateral mechanisms is progress from its previous go-it-alone and strictly bilateral approach to energy security. It seems that China still sees its long-term energy security in strategic or regional Sino-centric terms. However, this could change over the next thirty years as China's diplomatic reach increases and energy security becomes increasingly enmeshed in global markets.

## EFFECTS ON CONFLICT AND COOPERATION

The intersection of the rise of China, the relative economic (and possibly military) decline of the United States, and the growth of a more assertive nationalist public in key countries, with the ongoing presence of deep-seated animosities among states creates an array of potentially negative future implications for existing alliances and security relationships. At the same time, the forces driving greater levels of interstate cooperation can serve as a significant restraint on conflict and as a source of greater strength for existing alliance ties. In other words, as with the preceding three sets of variables, a combination of both positive and negative trends and features is evident.

### **Regional economic integration, globalization, and transnational threats will incentivize greater collaboration.**

As discussed in the previous chapter, a common focus on peaceful development, regional and global economic integration, and various transnational security threats operates in favor of greater interstate cooperation, including between China and the United States. Many of these factors are conducive toward cooperation within the U.S.-led alliance system. These factors also operate to varying degrees in other long-standing security relationships, such as in the U.S.-Taiwan relationship.

**Common threats to alliance members will generate cooperative behavior.**

One set of factors that drives continued or greater cooperation among the United States and its alliance partners (especially in Northeast Asia) derives from the common threat posed by North Korea. Despite the potential tensions over the handling of Pyongyang, on balance, Washington, Seoul, and Tokyo have a strong incentive to work closely together to counter or contain North Korean security threats, including not only nuclear-weapon and missile development, but also the proliferation of nuclear-weapon technology. As the previous analysis suggests, this threat is unlikely to diminish significantly over at least the short to medium term. Indeed, it could become much worse, thereby placing an even greater premium on alliance coordination.

Japan, the Philippines, and the United States have strong incentives to improve coordination and capabilities in dealing with the possibility of an increasingly aggressive China, especially regarding maritime disputes in the South and East China Seas. Of course, as noted above, greater alliance coordination in clear response to a rising China, if improperly handled, could end up strengthening the alliance while polarizing the region, perhaps unnecessarily.

**Incentives to manage the China-Taiwan standoff peacefully will likely grow.**

As the analysis presented above and in the previous chapter indicates, China and Taiwan are growing closer both economically and in people-to-people contacts. Increasing numbers of Taiwan citizens now reside on the mainland, and trade and investment links continue to grow despite Taipei's desire to diversify its economic links with the outside world. This dynamic is likely to continue over the long term.

Equally important, the highly negative cross-strait experiences of the early 2000s—when then president Chen Shui-bian undertook provocative and dangerous initiatives designed to foster the permanent separation of Taiwan from China—are unlikely to be repeated anytime soon, if ever. At that time, Washington made it very clear that it opposed unilateral efforts by either side to alter the status quo toward either independence or unification. Absent a major deterioration in U.S.-China relations or in cross-strait relations, this U.S. policy is unlikely to change. In addition, while a majority of Taiwan's citizens oppose unification, they also oppose unilateral actions that could provoke a sharp confrontation with Beijing. These factors will continue to provide a clear disincentive for any future Taiwan leader to opt for the permanent separation of the island from mainland China.

U.S. and Chinese policies toward Taiwan will likely be a function of the U.S.-China bilateral relationship and broader strategic environment rather than a major independent determinant of trends in conflict or cooperation. Accordingly, absent a "declaration of independence" by Taiwan, conflict over Taiwan would probably not be instigated independently but as an extension of hostile U.S.-China ties. Under current conditions,

mutual understanding on the cross-strait status quo (and de facto tacit Chinese tolerance of U.S. arms sales to Taiwan) will most likely continue unless Beijing were to become convinced that Washington was using assistance to Taiwan as part of a strategy of “encircling” China, as a means of ensuring the permanent separation of the island from the mainland, or that such assistance was the only factor preventing Taiwan from opening political talks with the mainland. Such a shift in the Chinese calculus, perhaps associated with the emergence of a more ultranationalist leadership or the provision of what Beijing regards as new, sophisticated arms systems to Taiwan (such as more advanced fighter aircraft or submarine capabilities), could again precipitate a U.S.-China political confrontation over the island. Nonetheless, if cross-strait economic integration continues and U.S.-China relations do not deteriorate into strategic rivalry, incentives to avoid such a situation will remain and likely increase.

**The possibility of a U.S.-China dialogue about the future of the Korean Peninsula is increasing.**

Thus far, Beijing has been highly resistant to engage in a serious dialogue with Washington over the management of future crises on the Korean Peninsula and (to an even lesser extent) possible alternative political futures for Korea. Such a dialogue could lead to certain understandings about how either country would react to a crisis on the peninsula or shape the evolution of the political environment, thus reducing significantly the likelihood of a conflict between the two countries. However, the possibility of such a dialogue, perhaps initially on a Track 1.5 basis, is improving. Some Chinese government (and especially military) scholars are now willing to engage in crisis management discussions on a Track 2 basis concerning a future Korean crisis.<sup>20</sup>

**Problems of alliance coordination within the U.S.-led alliance system will likely continue to obstruct U.S. policy goals in Asia.**

Rising concerns, hostilities, and anxieties among U.S. allies (in particular Japan and South Korea) associated with historical animosities, rising nationalism, and concerns about the future strength and commitment of the United States will continue to place significant strains on the U.S.-led alliance system. In particular, the inability of Tokyo and Seoul to overcome historical animosities relating to Japan’s aggressive and colonial past, including the so-called comfort women issue and Japanese officials’ visits to the Yasukuni Shrine, which enshrines Class-A war criminals from World War II as well as Japanese soldiers who died in war, will most likely limit prospects for extensive and deep trilateral security cooperation among the United States, Japan, and South Korea, for at least the short to medium term, if not longer. Indeed, during the term of conservative Japanese Prime Minister Shinzo Abe (which could last for an additional seven to eight years), Tokyo may be unwilling to respond to these issues in ways that will entirely satisfy Seoul. In fact, Abe could take actions in these or other areas that exacerbate problems in the bilateral relationship with South Korea, creating difficulties that persist long after he leaves office.<sup>21</sup>

This negative dynamic creates unwanted challenges for U.S. policy and prevents the kind of greater alliance cooperation in Northeast Asia that could reassure the region regarding the strength and viability of the overall U.S. security role, facilitate deterrence efforts toward Pyongyang, and counterbalance growing Chinese power in the Western Pacific. It also creates problems in the U.S.-Japan alliance relationship by making it more difficult for Washington to support Tokyo in various ways.

**Washington's alliance relationships with Japan and the Philippines could increase the likelihood of a future confrontation with Beijing.**

The increasing tensions between China and two U.S. allies (Japan and the Philippines) in the context of a more militarily and paramilitarily capable Beijing presents significant challenges for the United States beyond the obvious need to provide adequate levels of reassurance. As noted above, allies can develop hopes and expectations regarding the U.S. role in the alliance and undertake various actions that are not necessarily compatible with U.S. policy and interests in the short, medium, and long term. In particular, allied expectations of U.S. support, or a desire to increase the level of the U.S. commitment concerning maritime disputes, could result in aggressive and provocative allied behavior toward Beijing.

This can create a vicious cycle in which allied assertiveness generates increased tensions, which in turn results in greater U.S. expressions of support in order to caution China, leading allies to undertake still further actions in the expectation that Washington either endorses such behavior or will decide that it has little choice but to go along with it. Moreover, U.S. leadership might prove more inclined to overlook allied provocations and provide vigorous support for allies than is altogether prudent out of a desire to dispel concerns that the United States is in decline and unable to respond effectively to growing Chinese assertiveness.

**As China rises, concerns over U.S. credibility as a security guarantor will continue, and could increase.**

As China's power increases, concerns may deepen among allies and other powers that depend on U.S. protection regarding the determination and capacity of the United States to perform its long-standing role as alliance leader and security guarantor. Such concerns intensify the pressure on the United States to confirm the credibility of its interests and commitments, power, and leadership role in the eyes of the U.S. public, allies, and other nations. In the absence of a clear and strong explanation of U.S. interests and commitments, the nature of U.S. power and leadership in Asia, and the policies and means available to attain U.S. objectives, a wide variety of issues (including some unrelated to vital U.S. interests) can become tests of American credibility in the face of a rising China.

In this situation, the perceptions of the credibility at stake inherent in a particular security problem can become the reality driving U.S. behavior, regardless of whether the problem

objectively merits a full U.S. defense of its credibility. In other words, under such circumstances, popular and elite impressions can determine U.S. actions. Once the United States explicitly or indirectly stakes its credibility to an issue—or allows others to do so through the absence of clear U.S. policy statements—it becomes extremely hard to moderate or reduce that commitment without appearing weak or vacillating in the face of a rising China. This problem places a premium on the need for U.S. leaders to clearly identify and convey accurately to allies vital U.S. interests, objectives, and the strengths and limitations of U.S. power. Some analysts believe that Washington has inadequately conveyed these interests and objectives to itself and others, especially on disputes between China and its neighbors over territory in the South and East China Seas and other volatile issues.

**China will continue to push for an alternative security architecture to the U.S.-led hub-and-spokes system.**

Beijing believes that the Asia-Pacific region should move beyond what it regards as the increasingly destabilizing, Cold War-era approach to regional security—the U.S.-led system of bilateral security alliances—to a more comprehensive, cooperative, and sustainable security architecture. By posing a clear challenge to the existing alliance system, a Chinese proposal could result in growing tension and confrontation, not only between Washington and Beijing, but also across much of the region as the two powers seek to gain or reaffirm support for their respective approaches. Over time, as its development ties to the region deepen and expand, Beijing could attempt to employ its economic and political influence to press economic partners to formally endorse its approach. Similarly, Washington could pressure its allies and other regional states to resist the Chinese approach and the economic initiatives that appear to support it. This dynamic could move the entire region toward an intense level of zero-sum security competition.

Such a development is not inevitable. Much will depend on how Beijing seeks to define and advance its currently vague proposal for regional security and how the United States reacts to it. If the Chinese cannot show convincingly how their approach will benefit, rather than polarize, the entire region, it will probably not garner much support. Beijing might attempt to avoid such a failure by pressuring others to accept its view through economic and other means. This would almost certainly prove unsuccessful, however, unless China's economic leverage across most of Asia becomes overwhelming and it is willing to ignore the political fallout that would result from such an action (an unlikely prospect). While China's economic influence in Asia and beyond is likely to grow significantly over the next several decades, it is unlikely to result in a situation in which Beijing can apply decisive pressure on key states such as Japan, India, Russia, Indonesia, and South Korea. Terms of trade and investment are more likely to prove either inadequate or insufficiently one-sided in Beijing's favor to facilitate such pressure. Thus, Chinese pressure will more likely generate greater resistance.

Meanwhile, if Washington responds reflexively to China's initiative by attempting to undermine or weaken it, even before its content and implications are made clear, it will unnecessarily further the process of polarization. If Washington instead shows China and other Asian states how the system of bilateral security alliances can continue to benefit them without precipitating greater polarization, it will reduce or prevent support for the Chinese approach, or force Beijing to define its approach in a manner that is compatible with the U.S. alliance system. To some extent, Beijing will always regard the system as antagonistic to its interests, but genuine efforts to examine how China's approach might augment, rather than replace, U.S. alliances could go a long way toward softening such a sentiment.

**Differences in U.S. and Japanese policy toward Taiwan could increase tensions in the bilateral relationship.**

Washington's long-standing policy toward Taiwan is that it will support any voluntary, uncoerced, and peaceful resolution of the cross-strait imbroglio. Washington has stated that it understands and does not challenge China's position on Taiwan being part of "one China," even though it does not endorse it. Japan similarly does not endorse China's claim to Taiwan but avers that it "understands and fully respects" the Chinese position. Both state that they have a "one China" policy, though those policies do not fully accord with Beijing's position. Moreover, in the case of Japan, unification is seen in important circles as a potential strategic threat to critical trade routes and Japan's security posture.

If Beijing seeks to accelerate unification, the United States is likely to acquiesce if such a process is peaceful, uncoerced, and in accordance with the will of the people of Taiwan. Japan, however, may well seek to impose obstacles because of its strategic concerns. Such an orientation in Japanese policy could generate tensions not only with Beijing, but also with the United States. Of course, if worsening Japan-China relations accompany an equally worsening U.S.-China relationship, Washington might also come to oppose reunification between China and Taiwan. Such a development would certainly intensify underlying differences between Beijing and Washington regarding not only Taiwan but other strategic matters as well.

Fortunately, a growing rift between Washington and Tokyo over Taiwan, although possible, is not probable. The incentives for both states to resolve any emerging differences between them will increase—not decrease—over time as both sides attempt to coordinate their responses to a rising China. That said, one cannot rule out that possible movement by Tokyo away from its "one China" policy could nonetheless lead it to favor policies toward Taiwan that raise suspicions in Washington or increase bilateral tensions.

**A divergence in policy toward North Korea could emerge between the United States and South Korea.**

Close cooperation and a strong confluence of views continue to define U.S. and South Korean management of the North Korea issue. Particularly during the presidencies of Lee Myung-bak and Park Geun-hye, Seoul and Washington have pursued policy approaches toward North Korea that emphasize deterrence, tough sanctions, and an insistence that Pyongyang demonstrate a clear willingness to implement its previous denuclearization commitments before Six-Party Talks would resume. The United States and South Korea have also continued to press China to do more to compel North Korea to resume implementing its denuclearization obligations.

However, a strong political constituency in South Korea supports aid and engagement with North Korea over sanctions and pressure. As such, South Korean political leaders across the political spectrum continue to see some value in pursuing projects aimed at achieving reconciliation and closer economic and people-to-people contacts with North Korea, such as the Kaesong Industrial Complex and the (currently suspended) Mount Kumgang tourism project. While such projects detract somewhat from joint efforts to make North Korea pay a high economic price for its intransigence on the nuclear issue, future South Korean governments are unlikely to sever tenuous North-South links as long as they offer some prospect for influencing North Korean behavior, reducing tensions, and increasing transparency.

Nevertheless, as witnessed during the presidency of the progressive Roh Moo-hyun, South Korea's emphasis on engagement and reconciliation can lead to tension between Washington and Seoul, especially when South Korean policy emphasizes North-South reconciliation and aid to Pyongyang more than it does the North Korean nuclear threat. This, in turn, provides an opportunity for North Korea to attempt to drive a wedge between Seoul and Washington by exploiting a more conciliatory South Korean policy approach. Such a situation would greatly complicate U.S. and South Korean coordination on North Korea. However, policymakers in Seoul and Washington remain mindful of the experience of the Roh-Bush years—when Washington and Seoul frequently disagreed vis-à-vis North Korea—and will resist repeating the experience.

**South Korea will likely remain less willing to adopt assertive policies toward China than the United States or Japan.**

Another potential source of alliance tension derives from allied differences over policy toward China. Past trends suggest that Seoul is less motivated than either Washington or Tokyo to become involved in strategies and tactics for countering aggressive Chinese actions toward the Senkaku/Diaoyu Islands or Taiwan. Indeed, absent a highly unlikely shift in Chinese policy toward vigorous support for North Korean provocations or increased Chinese aggressiveness regarding its relatively minor historical or territorial disputes with South Korea, Seoul is unlikely to cooperate fully and energetically in coordinated efforts to directly counter Beijing. Despite a certain level of lingering



tensions over historical issues and China's unwillingness to blame or pressure Pyongyang following the *Cheonan* incident and the shelling of Yeonpyeong Island in 2010, Beijing and Seoul have strong mutual economic and strategic incentives to maintain or improve their bilateral relationship. Seoul benefits from its close economic ties with Beijing, while Beijing gains economically and diplomatically through additional flexibility and influence in its relations with both the United States and Japan. Moreover, Seoul's close geographic proximity to China inclines Seoul toward significant caution in handling Beijing.

While currently not a problem for the alliance, Seoul's economic and strategic interests concerning China, combined with its tensions with Japan over historical issues, could generate a significant rift in the alliance if Washington and Japan decide to adopt highly assertive or aggressive policies toward China over issues unrelated to South Korea, such as the Senkaku/Diaoyu Islands dispute. This problem would become more likely if the North Korean threat to Seoul diminishes over time, either as a result of the collapse of the regime or of some process of Korean reunification that avoids a U.S.-China confrontation.

### **World War II memories will continue to have a disruptive influence on Sino-Japanese relations.**

Animosities resulting from the searing experience of World War II—in particular Japan's invasion of China—serve as a significant source of tension in China-Japan relations. For the Chinese, such memories, along with negative Chinese media depictions of Japan motivated by government policy, play a major role in fueling the hostile, anti-Japanese features of a more assertive brand of nationalism among the Chinese public and many elites. On the Japanese side, there is a belief among some elements of the public and conservative elites that Imperial Japan behaved no differently during World War II than other imperialist powers of that era and that it was largely a victim of American nuclear and conventional attacks. Moreover, there is growing resentment against Chinese (and Korean) efforts to use shame and guilt for events that took place three generations ago to hinder the development of a new, “normal” Japan.

Over the past several decades, Beijing and Tokyo have at times successfully overlooked or downplayed tensions associated with such historical memories and attitudes, seeking instead to concentrate on developing mutually beneficial economic and political ties. However, Beijing's increasing military and economic ability to influence the environment around its periphery, an intensifying Chinese and Japanese search for energy resources in disputed maritime areas, the growing tendency of Chinese leaders to stoke the fires of nationalism in order to strengthen regime legitimacy, the rise of extremist conservative views within Japan's polity and society, and the related inclination of some Japanese leaders to use the image of a more assertive China to build public sentiment in favor of a more “normal” nation, have together served to reignite historical animosities.



It is unlikely that such deep-rooted memories can be eliminated as a negative element in Japan-China relations, even over the next twenty-five years. Nevertheless, the salience and importance of historical tensions in the bilateral relationship is not fated to rise over time or to inhibit productive cooperation. Such tensions can be managed and controlled. This is in large part because neither Beijing nor Tokyo has a clear strategic or economic incentive to use or allow historical memories to severely disrupt their relationship.

On the contrary, from a purely strategic perspective, both countries have an incentive to improve their ties by downplaying historical animosities. A friendlier Japan—especially if less tightly tethered to the U.S.-Japan alliance—would give Beijing more options in dealing with the United States and bolster any efforts to create a comprehensive Asian security architecture. A friendlier Beijing would significantly lower Japanese security concerns and possibly provide more options for Tokyo in dealing with North Korea. It also would give Japan more flexibility and leverage within the U.S.-Japan alliance, although it would probably not cause Japan to abandon the alliance. Realistically, however, current trends in Japan and China do not make this development very likely over the short to medium term.

**Economic rivalry in contested maritime territories will increase the probability of clashes between states.**

Growing demand for maritime resources, coupled with enhanced maritime capabilities, will increase commercial activity in contested waters. These commercial incentives will create pressure for states to assert their jurisdiction over contested waters, which will in turn heighten the likelihood of incidents or clashes between commercial actors and maritime law enforcement agencies (MLEs) or among different MLEs.

One economic trigger could emerge from declining fish stocks in the region, increasing competition among fisheries. This would lead to the increased presence of fishing fleets in contested waters, which in turn would increase demands for greater protection from national authorities or for greater demands to expel foreign fishermen. Clashes could occur among or between fishermen and maritime law enforcement agencies. If MLEs escort national fishermen, the potential for an incident between MLEs increases if one country seeks to deny another country access to disputed waters. A fishing-related incident is likely to occur in either the South or East China Sea, though it is perhaps more likely in the South China Sea given the number of littoral states. Nevertheless, as the 2010 Senkaku/Diaoyu Islands incident demonstrated, such conflict could easily occur in the East China Sea as well.

Compounding the danger is the fact that China and other claimants would likely view efforts to halt or regulate their fishing as a challenge to their maritime claims, especially if fishing activity occurs within twelve nautical miles of contested land features. This increases the potential for escalatory moves as jurisdiction and sovereignty concerns

would be at stake. If the maritime disputes are framed primarily in terms of sovereignty over land features, the potential for higher levels of escalation increases. Sovereignty is far more salient domestically than EEZ rights, and all states would find it hard to back down under these conditions.

Another economic trigger concerns hydrocarbon exploration activities. Both states and oil companies have a continued desire to develop offshore hydrocarbons, especially natural gas. A conflict could begin with greater seismic survey activity in contested waters, followed by the drilling of exploratory wells. Despite the fact that exploration involves the use of ships and floating platforms that are not permanently placed, such actions would be viewed as a challenge to a state's claimed jurisdiction. Tensions could arise out of efforts to harass or stop the seismic survey vessels or to prevent any drilling from occurring.

It is also possible that a crisis could start over an existing oil rig, be it in a Vietnamese, Malaysian, or Bruneian block. If Chinese MLEs increase their presence in the waters around these rigs, they could be challenged by MLEs or naval forces from the other states. Similarly, China would likely view unilateral efforts by other states to develop hydrocarbons or fisheries as a challenge to its claims warranting a forceful response. Simultaneous challenges in multiple maritime disputes or over multiple issues would also increase the incentives for a forceful response.

The aforementioned triggers are most likely in the absence of multilateral efforts to manage these resources. Accordingly, the development of multilateral institutions, or, alternatively, an incidents at sea agreement for MLEs, would reduce the likelihood of conflict.

# FUTURE SECURITY ENVIRONMENTS



The analysis of the first four chapters suggests that nine trends of relevance to the U.S. Pacific Command (PACOM) will play the greatest role in determining the characteristics of a future Asia-Pacific security environment.

## OVERALL TRENDS CONTRIBUTING TOWARD CONFLICT

Four trends are likely to contribute to heightened levels of tension and conflict:

### 1. Domestic Instability

Domestic political and social instability in North Korea—and to a lesser extent in China, Russia, and Taiwan—could make international politics in the Asia-Pacific region more erratic and disruptive, especially over the long term. Such instability could emerge as a result of many factors, including economic failure or volatility; intensifying levels of elite competition; ultranationalistic pressures; and/or zero-sum disputes over sovereignty or issues of territorial integrity.

Fortunately, the likelihood of such domestic instability occurring in China, Taiwan, and Southeast Asia (even over the long term), and of such instability influencing the larger security environment in a negative manner, is not high. Most important, the catalysts for such economic instability are relatively unlikely to occur. Moreover, it is

not clear that such instability—in the event that it did occur—would prompt leaders, including those in China, to behave aggressively in the region at large or to instigate conflict. In fact, it is at least as likely, if not more so, that severe domestic instability would produce greater foreign policy restraint as governments worked to address instability domestically.

Nevertheless, leadership assessments concerning connections between domestic disorder and foreign attempts to manipulate such disorder will play a particularly important role in determining whether domestic instability precipitates interstate conflict or cooperation. Heightened nationalistic sentiment and suspicion of the United States and the West—especially when combined with domestic instability and an insecure, paranoid leadership—could incite North Korean, Chinese, or Russian leaders to provoke short-term crises or act in a hostile manner. This is most likely to occur in North Korea. Such a development would certainly precipitate a deterioration in the regional security environment, the degree of which would depend on the severity and duration of the crisis and the presence or absence of crisis management mechanisms. Again, at present the trends that would catalyze such a scenario are unlikely, though they could emerge over the next twenty-five years.

Conditions falling short of political and social instability—such as weak political institutions, political dysfunction, or persistent economic problems—will likely continue to complicate the national security policies of India, Japan, South Korea, and even the United States. The severity of the effect on foreign policy will be determined by the success, or lack thereof, of efforts to address such problems.

## **2. Arms Races, Military Crises, and the Nuclearization of the Korean Peninsula**

Steadily increasing levels of defense spending and growing conventional military capabilities in China, the United States, South Korea, Vietnam, and possibly other Asian states will increase regional tensions and the likelihood of crises and miscalculations. This is especially true when it comes to volatile issues such as Taiwan, maritime territorial disputes, and military surveillance or patrols within several hundred nautical miles of the Chinese coast.

Generally speaking, growing capabilities among these states could trigger heightened security competition and an action-reaction dynamic that escalates into a costly, destabilizing regional arms race. In a tense and mistrustful atmosphere—likely accompanied by the expansion of China's blue-water naval capabilities—the need to secure energy routes could become an additional motivator behind heightened naval competition. Once again, this trend is more likely to occur in the absence of security assurances or if U.S. allies or partners become increasingly concerned about Washington's ability to simultaneously counterbalance and engage China in lessening security competition.

Most notable of developments in the region, Beijing's growing military capabilities and presence in the Western Pacific will pose a particular challenge to the U.S. strategy of continued predominance or primacy. In the absence of security assurances, perceptions (accurate or inaccurate) of increased Chinese capabilities or declining U.S. capabilities would increase the likelihood of miscalculations over particular incidents at sea or in the air. Worse still, they could lead one or both sides to deliberately undertake potentially dangerous behavior as a test of the other side's ability or resolve. Although a stronger and more confident Beijing might moderate its approach toward some volatile issue (for example, maritime territorial disputes), this is by no means certain, especially in the absence of mutual restraint by other parties.

Continuing stagnant or declining defense spending and military capabilities in North Korea will increase the importance of the nuclear-weapon program to Pyongyang. Current trends thus provide no basis for optimism regarding the denuclearization of the Korean Peninsula, especially in the absence of sustained market-based domestic reform that could move North Korea toward greater integration with the outside world. Indeed, domestic political realities in North Korea, previous patterns in Pyongyang's behavior, and Seoul's increased determination to respond strongly to future attacks all clearly indicate a high likelihood of continuing North Korean aggression and crises over nuclear weapons and ballistic missile tests.

Such events could prove more difficult to control than in the past, especially if Pyongyang develops the capability to conduct a nuclear attack on South Korean, Japanese, or U.S. territory. In particular, Washington's extended deterrence commitment to South Korea and Japan could face increasing skepticism, sowing discord in alliances or compelling the United States to undertake demonstrations of its commitment to the alliance, thus disrupting its relations with China. Moreover, increasing U.S. pressure on Beijing to deter Pyongyang could cause friction in the U.S.-China relationship. Although more aggressive North Korean behavior might, in fact, induce Beijing itself to increase pressure on Pyongyang, unless North Korea attacks South Korea, major Chinese action in this area is not likely. This is particularly true as long as Beijing and Washington fail to reach an understanding over the future of the peninsula.

### **3. Adverse Changes in Foreign Policies**

The dangers associated with growing military capabilities will be magnified by conflicting views in Beijing and Washington of the best way to preserve regional security, an offensive orientation in both leaderships in the management of crises and the use of force, and increasingly assertive nationalist sentiments in China, Japan, and other nations. The existence of such features would likely intensify security competition in the region unless effective security assurances and other compensatory actions were enacted to facilitate a more stable balance of power.

While intensifying security competition is already evident to some extent, the emergence of a single-mindedly adversarial foreign policy orientation remains unlikely in China, the United States, and Japan over at least the next five years, and any such shift would need further time to be implemented and operationalized in terms of concrete capabilities. Any emergence of ultranationalist policies among one of the major states involved would be interpreted negatively by neighboring countries and could facilitate the rise of similarly ultranationalist leaderships in these countries. This would spur the development of aggressive capabilities and doctrines and would have an adverse impact on a wide variety of interstate activities in the region, from alliance relationships to multilateral forums.

Greater Sino-centric economic integration across the Asia-Pacific—and Beijing's increasing dependence on energy imports—could cause China to adopt exclusionary or coercive national policies within the region and aimed at the United States. Over the long term, increased Chinese economic influence could be used to encourage acceptance by Asian states of a Chinese-defined, alternative security architecture to the U.S.-led hub-and-spokes system. Additionally, China's growing dependence on energy imports could result in Beijing's developing long-range power projection capabilities that would call into question Washington's ability to protect energy sea lines of communication (SLOCs).

Fortunately, such fundamental changes in Chinese national objectives and military doctrine are not likely, even over the long term, given the pattern of globalization-driven economic interdependence in Asia and the market characteristics of the global energy situation. Moreover, China's capability to fully negate U.S. influence in these areas will face limits. However, the impact of economic integration on national objectives will ultimately depend to a great extent on the future strength and vitality of the U.S. economy, especially in Asia, and on the specific actions and reactions of Washington, Beijing, and other regional states to the unfolding process of Chinese-led economic integration.

#### **4. Crisis of Confidence in the U.S.-Led Alliance System**

Absent lasting changes in long-standing historical animosities among U.S. allies and a major alleviation of concerns over U.S. capabilities and assurances in the region, the U.S.-led alliance system is likely to remain centered on bilateral defense relationships rather than a more coordinated, multistate set of activities. Moreover, it will face growing problems of confidence. This problem will almost certainly continue—and perhaps intensify—in the absence of a major catalyzing event requiring greater coordination, such as a militarized and increasingly aggressive China.

Assuming China's power and influence in Asia continue to grow, U.S. allies' concerns over the credibility of U.S. nuclear and conventional defense commitments

will increase, complicating efforts to deal with regional security problems such as North Korea and the rise of China. A negative dynamic could emerge in which allies involved in disputes attempt to elicit greater levels of support from Washington. If given, this favorable U.S. response would further embolden provocative allied behavior. More broadly, this problem could result in an overemphasis on the military dimensions of allied behavior, as opposed to the political and diplomatic dimensions involved in dealing with China and other potential adversaries.

In the absence of a clear and strong explanation of American long-term interests and commitments, the nature (and limits) of American power and leadership in Asia, and the policies and means available to attain U.S. objectives, a wide variety of issues, perhaps including some unrelated to vital U.S. interests, can become tests of American credibility in the face of a rising China. This problem will intensify if a much stronger Beijing attempts to press regional states to adopt an alternative to the U.S.-led alliance system. This is by no means inevitable, however. Much will depend on how Beijing seeks to define and advance its security proposal, and how Washington reacts to it.

While various policy rifts could emerge between the United States and its allies over Taiwan, North Korea, China, or maritime disputes, most are deemed unlikely as sources of regional instability, with two exceptions: a growing rift between the United States and Japan, and South Korea, over policies toward China; and a U.S.-Japan rift over the handling of World War II historical issues. The likelihood of either is not high, but leadership views will play a very important role in shaping these trends.

## **OVERALL TRENDS CONTRIBUTING TOWARD COOPERATION**

Five trends will counterbalance the aforementioned negative trends and contribute toward more convergence and cooperation in the Asia-Pacific:

### **1. Prioritization of Peaceful Economic Development**

Over the next several decades, Asian countries will continue to place a high priority on market-oriented economic development and the search for largely workable, if not always amicable, foreign relations with regional powers. Even in the event that domestic economic instability were to occur in China, it is unlikely that it would result in more confrontational or hostile foreign policy behavior.

### **2. Economic Integration and Transnational and Nontraditional Security Threats**

Increasing economic integration, as well as the possibly growing and long-term challenges posed by a variety of nontraditional, transnational security threats and concerns (for example, climate change, pandemics, and proliferation of weapons of

mass destruction, or WMD) are also on balance conducive toward cooperation in interstate relations, despite the possible negative consequences associated with the Sino-centric pattern of economic integration identified above.

### **3. Absence of Aggressive National Objectives and Military Doctrines**

No Asian countries subscribe to national objectives or military doctrines based on the seizure of foreign territories undisputedly controlled by others, a notion of inherent superiority over other peoples, or other values that could generate aggressive or militaristic conduct toward outsiders. While the military doctrines of some important states such as China and the United States involve notions of offensive and sometimes preemptive power projection and war fighting, such operational concepts do not drive national security policies toward a preference for aggressive military actions, especially against major powers. Moreover, preemption is usually intended to prevent costly protracted conflict.

### **4. Prospects for Cooperation Among U.S. Allies**

The threat posed by North Korea will continue for many years as a factor inducing continued cooperation between the United States and its allies. Despite potential tensions over the handling of Pyongyang, on balance, the United States, South Korea, and Japan have a strong incentive to work together to counter North Korean security threats or draw North Korea into a more cooperative relationship. Similarly, Japan, the Philippines, Australia, and the United States have strong incentives to improve coordination in dealing with the possibility of an increasingly aggressive China, especially regarding maritime disputes in the South and East China Seas. Of course, as noted above, greater alliance coordination in clear response to a rising China, if improperly handled, could end up strengthening the alliance while polarizing the region. Alternatively, allied concerns over a weakened U.S. commitment could prompt a vicious cycle of allied provocations and U.S. reactions.

### **5. Low Likelihood of a U.S.-China Clash Over Taiwan**

The lessons learned from past tensions between Beijing and Washington over Taiwan, the continued deepening of cross-strait economic ties, and the continued cautious and pragmatic nature of the Taiwanese public all suggest that, while not impossible, a direct military clash between the United States and China over the island is unlikely, especially in the absence of a serious deterioration in the bilateral relationship. Moreover, while not precluding the possibility of a serious confrontation over U.S. arms sales, this implies that a previously major potential source of conflict has been reduced to a low probability. Incentives will likely grow to manage the China-Taiwan standoff peacefully.



## FIVE FUTURE SECURITY ENVIRONMENTS

These positive and negative trends converge to create five possible security environments over the next twenty-five years. Listed in general order of likelihood, they are:

- I. Status Quo Redux:** Constrained but ongoing economic and political competition alongside continuing cooperation in the Asia-Pacific region
- II. Asia-Pacific Cold War:** Deepening regional bipolarization and militarization, driven by a worsening U.S.-China strategic and economic rivalry in Asia
- III. Pacific Asia-Pacific:** Increased U.S.-China and regional cooperation and tension reduction
- IV. Asian Hot Wars:** Episodic but fairly frequent military conflict in critical hot spots, emerging against a cold war backdrop as described in the Asia-Pacific Cold War scenario
- V. Challenged Region:** A region beset by social, economic, and political instability and unrest separate from U.S.-China competition

These five security environments are presented as devices intended to illustrate a range of outcomes. One extreme involves high levels of cooperation (Pacific Asia-Pacific), while the other is marked by frequent military clashes (Asian Hot Wars). Three environments of varying levels of cooperation and conflict (Status Quo Redux, Challenged Region, and Asia-Pacific Cold War) occupy the space between the two. In reality, however, any future security environment will most likely combine characteristics of two or more of the environments. Moreover, any one environment could, over time, evolve into another. For example, as discussed below, a Status Quo Redux environment could evolve into an Asia-Pacific Cold War.

The purpose of these environments is to identify how trends in conflict and cooperation could combine to influence the Asia-Pacific region; to assess what might constitute thresholds in the emergence of each environment; and to provide a general sense of the likelihood of each environment emerging over the short, medium, and long terms. This analysis will provide the basis for an assessment of how the United States—and PACOM in particular—might maximize cooperation and minimize conflict across the region, particularly with China. Indeed, U.S. actions will play a pivotal role in the development of many of these trends.

Identifying cooperative and conflictual trends and assessing how they might affect the regional security environment over the long term is neither a straightforward nor simple process. As has been evident in the preceding four chapters, many, if not most, forces shaping the region are both extremely difficult to measure as catalysts of continuity or change, and very indeterminate in their effect on outcomes of conflict and cooperation.

Many will influence the evolution of the Asia-Pacific region only in combination with other trends and features.

For example, domestic instability in China or North Korea is relevant to the region if it affects national objectives and leadership views. As was discussed in chapter 1, however, domestic instability in China could produce either cooperative or confrontational foreign policies depending on whether the instability is economic or nationalistic in origin.

The presentation of each environment includes a general description of its key features (for example, descriptions of the military balance, political alignments and alliances, and patterns of multistate association); the causal or shaping variables that would lead to its existence; and the general likelihood of its emergence over the next twenty-five years. In the discussion of each security environment, particular attention will be directed toward the role of the United States, and PACOM in particular, as a catalyst or shaper of greater cooperation or conflict within each environment.

## I. STATUS QUO REDUX

### General Features

This security environment constitutes the notional “middle path,” or baseline, for assessing future continuity and change across the region. This is not because it is necessarily the most likely future environment (although it is), but because it encompasses those features that would need to change to produce any of the other environments. It is also in many ways the most complex environment, involving a dynamic mix of competitive and cooperative characteristics.

The term “Status Quo Redux” to describe this environment is somewhat misleading, since it implies a certain static quality to the present-day situation. As the analysis contained in the preceding chapters indicates, many current trends and features are producing a range of changes in power relationships, popular and elite views, and policy priorities, that together imply a significantly changing status quo. Thus, this environment denotes an overall situation in which such changes do not alter political, military, and economic alignments or patterns of multistate association to such an extent that the current mix of competitive and cooperative features gives way to a qualitatively different set of features involving higher or lower levels of competition or cooperation. In other words, in this environment the trends and features that favor a continued mix of cooperative and competitive elements—of peaceful economic development alongside military hedging—do not fundamentally change.

Within this environment, national objectives and military doctrines in the United States and China and across the Asia-Pacific would remain development-oriented and restrained

or nonconfrontational, involving continued high levels of mutually beneficial economic and political engagement and continued cooperation in the management of common issues such as the global economic order, terrorism, climate change, WMD proliferation, and pandemics.

At the same time, major suspicions and uncertainties would remain regarding Beijing's and Washington's ultimate security intentions and capabilities toward one another, especially over the long term. This would result in continuing efforts, not only by the United States and China, but also by Japan, South Korea, Taiwan, Vietnam, India, Russia, the Philippines, and India to strengthen counterbalancing military capabilities or maintain hedging options.

Defense spending and accumulated military capital stocks would continue to increase among these powers, albeit not at rates above historical levels. The U.S.-led hub-and-spokes alliance system would remain a major feature of the regional security order, while a variety of multilateral security forums would function largely as confidence-building and problem management entities rather than as "hard security" structures.

Although positive-sum political, diplomatic, military, and economic engagement would continue among the major powers, the security environment would likely witness intensifying patterns of military competition and rivalry, between the United States and China, China and Japan, North Korea and South Korea, China and Vietnam and the Philippines, and possibly even greater tensions between Japan and the United States. The severity, longevity, and specific sources of such competition would largely determine the overall level of instability experienced in this environment.

### Causal or Shaping Variables

For a variant of the existing security environment to continue, it is likely that none of the more extreme types of the trends and features described in the previous four chapters would take place, even over the long term. Specifically, the most destabilizing forms of domestic political and social unrest (in China, North Korea, Russia, Taiwan, and parts of Southeast Asia), including elite competition and ultranationalistic pressures, would not emerge. Indeed, in this environment, domestic instability might generate greater foreign policy restraint, at least with regard to the initiation of large-scale or prolonged conflict. As noted above, based on the historical record, the likelihood of restraint under such circumstances is fairly high in China.

At the same time, in this security environment, domestic disorder and political rivalry among elites—or other forms of political dysfunction—could cause national leaders to provoke limited incidents or react to crises in destabilizing ways. The chances of such politically motivated provocations would increase if nationalist sentiments and overall

public awareness of the external regional and global environment continue to rise in China, Vietnam, Russia, and other nondemocratic but increasingly nationalistic societies.

That said, this security environment is unlikely to witness the emergence of ultranationalist leaderships of the sort that would bring about the kinds of truly hostile, zero-sum approaches to foreign and defense relations discussed in previous chapters. Indeed, the absence of such leaderships is a vital condition for the continuation of the current mixed environment status quo. If, as is likely in this environment, economic growth remains high enough to avert domestic unrest and elite rifts, and foreign threats do not emerge, the likelihood of such extreme leadership shifts will remain low. The only exception to this judgment would occur if continued economic success in China generated a level of domestic social instability (due to growing inequality, pollution, corruption, and the demands of a growing middle class for a greater voice in decisionmaking), combined with plausible foreign threats, to facilitate the emergence of an internally more repressive and externally less risk-averse ultranationalist leadership. However, such a development would serve as an indicator of a shift toward a more conflictual environment (such as the Asia-Pacific Cold War or Asian Hot Wars), as discussed below.

Continued economic growth, especially in the absence of credible and effective security assurances (discussed below), will permit continued moderately high or steadily increasing levels of defense spending and conventional military capabilities in China, the United States, South Korea, Vietnam, and possibly other Asian states. As noted, this will likely contribute to heightened security competition and an action-reaction dynamic that could, if sufficiently severe and prolonged, eventually escalate into a costly, destabilizing regional arms race and an increased chance of miscalculation. This would be particularly likely between the United States and China, or U.S. allies and China, over a variety of sensitive regional security issues, from U.S. intelligence, surveillance, and reconnaissance (ISR) activities along the Chinese coastline to maritime territorial disputes and military exercises.

Again, such a negative dynamic would likely serve as a prelude to a more conflictual environment. It is unlikely that such sensitive issues will be resolved, or even significantly mitigated, in this mixed competitive-cooperative environment.<sup>1</sup>

Increasing military capabilities could create the perception, if not the reality, that China had achieved a significant level of deterrence against U.S. and Japanese intervention in a Taiwan crisis or in a crisis over maritime disputes in the East and South China Seas. This could increase regional instability if such a perceived shift were to result in more explicit Chinese efforts to resolve such disputes through force.

At the same time, one cannot dismiss the possibility that greater Chinese military capabilities—and an increased ability to ensure that its interests can be protected—could make Beijing more confident and willing to compromise or moderate its activities on many of these issues, thus increasing overall stability. China's growing blue-water

capabilities could reduce its objections to freedom of navigation in its exclusive economic zone (EEZ) if the United States is deterred from extensive surveillance near the Chinese shore and if the People's Liberation Army Navy operates farther afield and seeks to conduct military activities in the EEZs of other coastal states. Such developments could provide indicators of movement toward a more cooperative atmosphere, such as the Pacific Asia-Pacific environment.

In this environment, stagnant or declining defense spending and military capabilities in North Korea would almost certainly result in continued—perhaps enhanced—efforts by Pyongyang to develop credible nuclear weapons and delivery systems. Indeed, Pyongyang's realization of the ability to strike South Korean, Japanese, or U.S. territory with nuclear weapons would significantly increase the likelihood of a major conflict on the Korean Peninsula. At the very least, it would generate significant rifts between China and other states over the response to such a development. This development could also generate greater tensions in the U.S.–Japan–South Korea relationship.

Allied concerns over declining relative U.S. capabilities, in combination with various domestic factors such as an inability to devote increasing resources to defense (in the case of Japan) and growing nationalist pressures and political calculations (in Japan, South Korea, the Philippines, and Vietnam), could well increase the chance of rifts occurring with the United States over maritime disputes with China.

Other significant, albeit less likely, rifts that could occur in this security environment include a division between the United States and Japan and South Korea over China policy and a U.S.–Japan rift over the handling of World War II historical issues. Although possible over the long term, the former is unlikely to generate a serious rift in the absence of a Cold War–type environment. Only under Cold War–like conditions are the United States, Japan, and South Korea likely to pursue divergent approaches toward China that would cause major friction. The latter scenario, over the handling of World War II historical issues, is arguably more likely, especially if a more nationalist Japanese leadership attempts to repudiate past apologies over Japanese wartime misdeeds, lifts all restraints on visits of top officials to the Yasukuni shrine, or generally reverses the larger “verdict” on Japan's behavior during the war. One or more such moves are definitely possible in this environment.

Another extreme development that would almost certainly not occur in this environment would involve Chinese efforts to create an exclusive sphere of economic and political influence in the Asia-Pacific or an alternative security architecture to the U.S.-led hub-and-spokes system of bilateral alliances. Economic conditions would almost certainly not facilitate such a development, and a continued moderate and cautious Chinese leadership—similar to the one evident throughout the reform era—is unlikely to take the obvious risks involved in aggressively pursuing an alternative security architecture. This is especially true if the United States remains a major security actor in the region, as is likely, and if U.S. allies remain able and willing to resist such Chinese pressure, as is also likely.

Nevertheless, this environment does not preclude the possibility that China will acquire much more economic power and political influence throughout the Asia-Pacific over the time frame examined in this report. Indeed, such a development is highly likely if Beijing is able to address its current economic difficulties in a reasonably effective manner. As discussed in previous chapters, while its growth rate is likely to decline, on balance, China is expected to sustain a strong economy over the long term, especially in the Asia-Pacific. This is another condition for the continuation of the current security environment.

One likely implication of this, however, is that the relative regional economic power and influence of the United States in this environment will decline over the long term. This would almost certainly add to the uncertainties mentioned above and could result in greater Chinese efforts to develop new types of economic associations that increase Beijing's leverage over a variety of political and security-related issues, from maritime territorial disputes to the management of issues like Taiwan and North Korea. This development, if occurring alongside the continuation or worsening of U.S. domestic economic and political problems, could contribute significantly to movement toward a Cold War-type environment, especially if Washington were to react in a sharply negative way to its loss of economic influence. Absent a sharp reaction from Washington, however, an economically developed China would also provide the United States with a capable partner in addressing the rise of transnational and nontraditional threats and concerns.

However, the various forces shaping this environment suggest that this security environment would almost certainly not witness the implementation of those major types of security assurances and confidence-building measures that could significantly reduce both the likelihood and the severity of security competition, much less eliminate it. Nevertheless, it is possible that less ambitious but nonetheless effective security assurances could emerge, including a binding code of conduct for maritime territorial and resource disputes, various confidence-building measures regarding military exercises, deployments, and other activities, and a variety of crisis management mechanisms. In the total absence of such mechanisms and processes, it is very likely that regional security competition and changes in relative U.S. and Chinese economic capacities in Asia will greatly increase the likelihood and severity of future incidents and crises over maritime territorial disputes, North Korea, Taiwan, and U.S. and Chinese military activities in the Western Pacific. Indeed, such a situation could bring about the transition from this security environment to an Asia-Pacific Cold War environment within the time frame examined in this report.

## Probability

Some level of continuity in the existing environment—involving a mix of competition and cooperation—is on balance most likely over the short to medium term.

Several current trends that discourage the worst possibilities inherent in the Status Quo Redux security environment will likely continue for many years, and possibly over the entire time frame of this report. These trends include a continued high priority on market-oriented economic development and the search for largely workable foreign relations with other powers; the forces of globalization, economic integration, and a wide variety of nontraditional, transnational security threats and concerns that place a high premium on cooperation; the absence of aggressive, expansionist, or predatory national belief systems; and a common desire to avoid armed conflict on the Korean Peninsula and over Taiwan.

Indeed, as noted, the current mixed security environment is likely to give way to a far more conflictual environment if such positive trends and features are no longer present. In fact, the absence or dilution of these factors, along with the emergence of some of the more extreme negative trends and features discussed above, would provide the driving forces behind the two most negative Asian security environments: Asia-Pacific Cold War and Asian Hot Wars.

Perhaps the most impactful of the negative trends would be the emergence of highly nationalistic and aggressive leaderships in China, Japan, and the United States. As noted in the previous chapters, this development would alter national objectives, levels of defense spending and military modernization, and approaches to alliances, increasing risk-taking and lowering the threshold for the use of force. Fortunately, the likelihood of such leaderships emerging, at least during the short to medium term, is fairly low, for at least two reasons. First and foremost, many of those features of the current environment that encourage significant levels of interstate cooperation, from economic interdependence to an absence of militaristic and predatory belief systems, are likely to continue to undermine the opportunities and arguments presented by ultranationalists in China and elsewhere. Second, domestic economic growth within China, the United States, Japan, and elsewhere is unlikely to produce the kind of major social unrest and severe policy divisions that could provide opportunities for extremist nationalist views to gain traction. Although such a development in China is certainly not impossible, it is not very likely. The level of domestic upheaval that could induce a complete recalculation of China's overarching interest in maintaining a peaceful foreign policy environment is unlikely to materialize within the time frame of this report, if ever. Moreover, it is possible that internal leadership turmoil could result in a more cautious external posture.

Another reason that this mixed environment is most likely, at least over the medium term, is that the factors that would generate a shift toward a significantly more peaceful and stable environment, such as the Pacific Asia-Pacific, toward the Challenged Region, or toward a significantly more conflictual and unstable environment, such as the Asia-Pacific Cold War and Asian Hot Wars environments, are on balance relatively unlikely, even over the long term. The absence of such forces would thus by default incline the



region more toward a continuation of the current mixed environment, albeit with some significant variations.

Indeed, levels of conflict or cooperation higher than currently evident across the Asia-Pacific region are quite possible over the time frame examined. As a result of expanding national defense and military capacities, long-term economic trends, and increased levels of nationalism, the potential for a spiraling cycle of interstate distrust and misperception is great. In particular, greater tensions and crises over maritime territory and resource disputes are likely, driven in part by increasingly assertive nationalist sentiments.

Also, despite the fact that increased tensions with China and North Korea could have a unifying effect on the U.S.-Japan alliance, alliance relations could experience internal rifts (especially between Japan and South Korea) over the handling of these issues. The general problem of the “allied tail wagging the American dog”—in which allied actions force U.S. behavior on a certain issue—is also a possibility. Given the growing concern over Chinese capabilities, the issue of U.S. credibility will become increasingly significant over the long term. Although this development might encourage some in China to argue for a more energetic effort to push an alternative security architecture, such a course of action is unlikely given both economic and political factors.

Over the very long term—the culminating years of the twenty-five-year period examined—the accumulation of the aforementioned negative features of the Status Quo Redux security environment, combined with growing domestic instability, could generate a level of security competition that makes a truly paradigm-changing incident or crisis much more likely than at present. Such an outcome would become even more likely if the economic, political, and social incentives for continued cooperation between the United States and China were to decline notably. The resulting shift could lead to the emergence of an Asia-Pacific Cold War or, less likely, an Asian Hot Wars environment. However, such a fundamental shift in the regional security environment is far from inevitable, especially if certain policies and actions discussed in chapter 6 are undertaken.

## II. ASIA-PACIFIC COLD WAR

### General Features

This environment is characterized by a steadily increasing level of zero-sum strategic rivalry and across-the-board political, economic, and military competition in the region, driven primarily by a tense and acrimonious U.S.-China relationship. In this environment, growing levels of U.S.-China rivalry would involve efforts by both governments to elicit greater support from existing or prospective allies and non-allied powers, thus



resulting in a process of polarization affecting virtually every area of political, diplomatic, economic, energy, and security policy.

Such polarization could take many forms. In the political or diplomatic sphere, it could involve zero-sum competitions for influence over the Korean Peninsula (with Beijing providing strong support for Pyongyang); intensive U.S. efforts to strengthen its alliances and obstruct or reverse the further integration of Taiwan with mainland China (and perhaps attempts to reestablish a military presence on the island); competition over the political allegiance of most major nonaligned Southeast Asian nations; U.S. attempts to entice or pressure India into a strategic alliance against Beijing; competition over relations with Russia and other nonaligned major powers; and rivalry for dominant influence in important multilateral diplomatic forums and structures in the Asia-Pacific and beyond. Taken to an extreme, in this environment Washington might also undertake efforts to bring about the collapse of the Chinese government, while Beijing would probably seek the breakup of the Washington-led alliance structure and the ejection of the United States from the Western Pacific.

In the economic sphere, a U.S.-China cold war would likely involve intense efforts by both countries to expand bilateral and multilateral trade, investment, energy, and technology interactions across the region at the expense of the other side. This might include attempts to create long-term multistate economic arrangements that deliberately exclude the other country, as well as various types of sanctions or other punishments against the adversary and its trading partners, thus disrupting the process of economic integration and development. In addition, each side would likely attempt to create new economic structures or mechanisms designed in large part to undermine the other's economic capacity.

In the military and defense sphere, this environment would almost by definition witness an expanding and intensifying security competition requiring high levels of defense spending and accumulating military capital stocks. It would also probably involve an intense arms race over the ability to control the first and second island chains, and perhaps even wider areas of the Western Pacific and the Indian Ocean. This competition could also include efforts by both countries to expand—or, in the case of China, establish—access or basing rights across much of the region, as well as Chinese development of a blue-water naval capability as part of a competition over the defense of sea lines of communication. Moreover, under this scenario, China would almost certainly push back more aggressively against U.S. ISR activities along its coast and seek to draw Taiwan closer into its orbit, possibly through overtly coercive means.

Although it's possible that China might apply greater coercive pressure on regional powers to resolve maritime sovereignty and resource disputes in its favor, it might also show greater moderation in this realm as part of the larger U.S.-China competition for regional

support. Much would depend on the extent to which China's rivals had already committed themselves to supporting the United States.

In all of these areas, cooperation between the two powers in handling a variety of transnational regional and global concerns, from pandemics to climate change and WMD proliferation, would virtually disappear or at the very least become extremely difficult to sustain. Indeed, broader multilateral efforts to address these and other problems would almost certainly suffer enormously overall as the United States and China competed politically, diplomatically, and militarily in the Asia-Pacific and beyond.

This scenario would obviously pose a major risk of conflict between Beijing and Washington over a variety of issues, from Taiwan to the Korean Peninsula. Moreover, the chances for military conflict (described below in the Asian Hot Wars environment) would increase over time, especially if no credible mutual security assurances or cooperative security structures and mechanisms existed to reduce the chance of inadvertent, escalatory crises. Conversely, this environment could also eventually evolve into a more cooperative one through a paradigm-changing development (for example, Chinese democratization or the emergence of a serious transnational threat such as a massive pandemic or a natural disaster). But such possibilities are either unlikely (in the former case) or almost impossible to predict (in the latter case) during the time frame studied.

### Causal or Shaping Variables

The Asia-Pacific Cold War would most likely require the emergence of a combination of the most conflictual trends and features summarized above and discussed in the previous four chapters, along with the disappearance of most—if not all—of the positive trends and features.

Most important, in this environment, leaders in the United States and China would almost certainly conclude that their nation's security could not be ensured without seriously undermining or containing the political, diplomatic, economic, and military capabilities and influence of the other side, both regionally and globally.

This implies that both Beijing and Washington would have explicitly jettisoned their long-standing mutual policies of cooperative engagement with one another despite the highly adverse consequences of such an action for their future economic development, the maintenance of a peaceful external environment, and the management of an array of common regional and international problems and challenges. Given these high costs, an Asia-Pacific Cold War environment would not appear incrementally, as a result of accumulating grievances and suspicions. It would almost certainly require deliberate decisions by both leaderships to move away from the mixed environment of the current, dynamic status quo.

Several developments could lead to such a decision. Steadily increasing regional tensions and insecurity associated with growing Chinese military, economic, and political influence and declining U.S. relative influence in those arenas in Asia would provide the essential backdrop for this environment. Security competition would be intensified, and the arms race would be far more severe than in the case of the Status Quo Redux. The emergence of a more severe security competition would likely result from a greater disparity in Chinese and U.S. economic growth rates and defense spending. However, even a smaller disparity could produce intense levels of security competition over the long term, assuming continued double-digit annual increases in Chinese defense spending.<sup>2</sup>

That said, even a more severe variant of security competition would not prompt the basic recalculation of current interests in Beijing and Washington necessary for an actual Asia-Pacific Cold War environment. In particular, as with domestic instability, defense spending and military capabilities would most likely contribute to the emergence of such an environment only in the context of other factors, such as changes in leadership objectives and severe crisis miscalculations during political-military crises between Washington and Beijing (discussed below). In other words, defense spending and military capabilities are more likely to grow in response to, rather than as a precipitant of, cold war hostility and rivalry. Nonetheless, they could contribute to the climate of suspicion and a pattern of excessive action and overreaction that form the necessary precursor to such a security environment.

The most likely direct catalysts for the kind of radical transformation in thinking required in this environment would involve a combination of a political-military crisis that escalates to limited but nonetheless dangerous levels of armed conflict (most likely precipitated by the actions of a third party but possibly also as a result of a direct U.S.-China armed incident) and the rise to power of aggressively nationalistic leaders determined to deter perceived provocative behavior by others or to resolve certain long-standing disputes. Under these circumstances, increasing Chinese military capabilities combined with the perception of a relative decline in U.S. capabilities could produce a dangerous dynamic in which Beijing overestimates its leverage in a crisis while Washington overreacts to apparent Chinese risk-taking, thus significantly lowering the threshold for conflict.

Among the former catalysts, the complete or even partial collapse of the North Korean regime could conceivably precipitate an armed clash between Beijing and Washington. In the case of complete collapse, one or both sides might seek to intervene militarily to fill the resulting vacuum in ways that would be seen by the other as a clear security threat. In the event of partial collapse, some elements inside North Korea might ask the Chinese to intervene in an ongoing power struggle. Beijing might find it in its interests to do so in an effort to maintain stability on the Korean Peninsula. Alternatively, some in South Korea (or, less likely, in the United States) might view such a situation as a precursor to

total regime collapse and seek to take advantage of the crisis to reunify North and South Korea. This could also precipitate a direct clash between the United States and China.

Another possible danger could involve a level of political unrest in Taiwan that leads to provocative “pro-independence” actions that, in combination with growing U.S.-China hostility, decisively strengthens the position of ultranationalists in China, Taiwan, and the United States. This could result in increased Chinese pressure on Taiwan to open or conclude political talks, thus alarming both Taipei and Washington and leading to increased U.S. arms sales to Taiwan and perhaps efforts by Washington to integrate Taiwan into the U.S. regional military alliance system. Such actions would likely be perceived by Beijing as “proof” of American intentions to encircle or constrain China’s rise and precipitate robust efforts by China to prevent them.

Another crisis could result from a direct confrontation occurring from increased U.S. interest in surveying and gathering information on new Chinese naval platforms and submarine vessels, coupled with forceful Chinese attempts to exclude foreign military surveillance activities and exercises from its EEZ or a declared buffer zone. The latter could take the form of warnings or dangerous maneuvers (for example, “shouldering”) around U.S. Navy ships by People’s Liberation Army Navy or Chinese coast guard vessels. Either of these Chinese actions would likely be couched in terms adhering to international law and Beijing’s view of the EEZ rights of coastal states. Similar challenges to foreign overflight, involving expansive rules of engagement in China’s air defense identification zone, could also occur. Disputes over freedom of navigation could easily become a mechanism for asserting maritime and strategic control in the region, contributing to direct naval competition between China and the United States.

In China, as indicated above, an ultranationalist leadership could emerge as a result of a combination of significant domestic unrest (likely associated with either economic decline or volatility) and perceived foreign threats, including supposed attempts to undermine or destroy the regime by manipulating Chinese domestic disorder.

Nationalistic leadership would probably be strongly committed to aggressively confronting the United States as a means of remaining in power and pursuing a long-term competitive strategy designed to push the United States out of the Asia-Pacific and to attract or coerce other powers to its side. In Japan, South Korea, and possibly the United States, ultranationalist leaders would likely win election to power based on an increased perception of external threat, possibly in response to the above developments in China (in the case of Japan and the United States) or the actions of both China and Japan (in the case of South Korea).

These developments would obviously become more likely in the absence of any significant countervailing security assurances, confidence-building measures, or crisis management mechanisms between the United States and China, and between China and U.S. allies.

Indeed, the absence of such mechanisms or processes would be necessary for the emergence of this type of security environment. Moreover, in this instance, a stronger China would probably not result in Beijing's becoming more confident and willing to compromise in territorial or other disputes, especially those involving strong domestic nationalist pressures. Similarly, these developments would more likely occur if, in the context of continued increases in Chinese defense spending and military capabilities, Washington were to adopt offensive operational concepts such as Air-Sea Battle or Offshore Control.<sup>3</sup> These concepts would add to the momentum for an arms race in Asia and fuel Chinese distrust. A more assertive effort by the Chinese to promote a security architecture that excludes the United States and perhaps involves new access or basing arrangements in the Asia-Pacific would have a similar effect.

Yet another set of broader contextual developments would also probably need to occur for an Asia-Pacific Cold War environment to emerge. These would involve significant reductions in the existing incentives to promote cooperation among states in the region, and especially between the United States and China. Among these, the most important include reductions in the level of economic interdependence existing among major Asian powers, notably the United States and China; a clear decline in the need or feasibility of major powers to cooperate in the management of many nontraditional, transnational security threats and concerns; and a significant deterioration in the prospects for peaceful reunification between China and Taiwan. Of course, such developments would likely prove unnecessary as catalysts of a cold war security environment if the negative developments cited above were sufficiently intense and prolonged to cause leaders to downplay or ignore existing incentives for cooperation.

Developments in the energy environment could also contribute significantly, although probably not in a singularly causal manner, to this security environment. A combination of China's continued rising dependence on Middle East and maritime energy imports, a more turbulent and higher-priced global oil and liquefied natural gas market, and marginal supply diversification from Russia, could produce increasingly tense Asian regional energy relationships. These would be characterized by fiercely competitive and increasingly mercantilist competition for the control of energy resources and sea lines of communication as well as U.S.-China disputes over strategic interests and alliances in the Persian Gulf. This dynamic could also result in aggressive Chinese support for national oil companies, efforts to establish more exclusionary and politicized regional energy supply alliances, chronic disputes over maritime resource areas in the Western Pacific, and strong barriers to cross-investments in energy between the United States and China.

One highly unlikely variant of this security environment could result from a U.S. withdrawal or significant drawdown of military capabilities in the Asia-Pacific. Depending largely on the nature and extent of the U.S. drawdown or withdrawal, this could involve an intense pattern of bipolarization and militarization in the region, driven by a

worsening Sino-Japanese rivalry and concerted efforts by both countries to elicit support from key countries in Asia and beyond. Such a U.S. withdrawal would almost certainly occur only in response to a severe U.S. economic decline, possibly combined with a breakthrough in managing the Korea or Taiwan problem, which could lead to further movement toward a more isolationist U.S. public and leadership.<sup>4</sup>

### Probability

Fortunately, the emergence of such an intense Cold War–style environment in the Asia-Pacific, although certainly not impossible, is not deemed likely, even over the long time span examined in this report. As noted, such an environment would almost certainly require a radical increase and qualitative transformation in the threat perceptions of both Beijing and Washington toward the other, most likely occurring as a result of a combination of many factors, including domestic instability, increasing levels of defense spending, changes in national objectives, ultranationalist trends in major Asian states, economic and energy market turbulence, and a general decline in sensitivity toward risk-taking in both capitals.

However, even if radical, ultranationalist elements were to rise to significant positions of power in China and Japan in this “perfect storm,” it is far from certain that they would overcome the resistance of other elites supportive of greater globalization and cooperation. Much would depend on contending elites and how they evaluate China’s and Japan’s changing economic and domestic political environments and the behavior of the United States.

The likelihood of an Asia-Pacific Cold War would increase significantly if existing U.S.-China security competition is allowed to deepen while disputes between China and U.S. allies become more severe, if U.S. credibility declines, and if crisis management mechanisms and confidence-building measures remain absent. In other words, to lower the likelihood of an Asia-Pacific Cold War, many existing trends and features of the current security environment would need to be diminished or removed altogether.

## III. PACIFIC ASIA-PACIFIC

### General Features

This security environment would witness a clear and sustained decrease in the number and severity of destabilizing events across the Asia-Pacific, including political-military crises (for example, maritime territorial disputes, ISR activities, and military exercises), changes in alliances, tensions over trade and investment practices, and disputes over the management of regional and global security issues such as terrorism and WMD proliferation. Instead, most nations would concentrate a high level of their resources and attention

on domestic social and economic issues and the peaceful resolution or management of common transnational threats and issues of concern. Security competition would be a low priority among the major powers.

That said, differences and even some significant disputes would certainly remain over a variety of issues. However, they would not generate zero-sum approaches or solutions. Instead, all parties would exercise considerable restraint in handling disputes while focusing on areas in which cooperative security approaches could flourish. Moreover, the disincentives for resorting to coercion or force would remain high.

### Causal or Shaping Variables

Such an environment would almost certainly require a very stable and enduring balance of power across the region—especially between the United States and China—along with greater levels of overall trust and a high level of confidence that differences could be handled peacefully and in a manner beneficial to those involved. While an enduring balance of power could emerge even in the Asia-Pacific Cold War environment, only high levels of trust and the peaceful settlement of disputes would provide a basis for the kind of enduring positive cooperation that could generate a peaceful region.

This type of positive security environment would require the emergence or enhancement of the positive trends and features discussed above, a major reduction in the presence or influence of negative trends and features, and, notably, the emergence of new structures, processes, and beliefs either not evident or barely evident in the current situation.

Perhaps first and foremost, a stable balance of power and greater trust and confidence would require a near-reversal of the current negative dynamic driving security competition across much of the Asia-Pacific (especially between Beijing and Washington). This negative dynamic derives from enormous uncertainty over the security implications of growing Chinese economic and military power in the Western Pacific, a possible relative decline in U.S. power, rising nationalism and social awareness among the publics of several major regional powers, and a spate of unresolved, largely historical disputes and beliefs.

A fundamental move away from security competition would require high levels of verifiable restraint in the development and deployment of certain types of military capabilities, and credible reassurances regarding the handling of volatile issues or “hot spots” that could provoke intense confrontations and instability in the Asia-Pacific. Notable among these hot spots are North Korea, Taiwan, maritime and other territorial disputes involving third parties (especially U.S. allies), maritime energy resources, and military surveillance. Such behavior would obviously need to occur not only between Beijing and Washington, but also among other regional powers including South Korea, Japan, Taiwan, Indonesia, the Philippines, Vietnam, India, and possibly Russia. As indicated



above, the actions of these and other third parties could draw Washington or Beijing or both into a severe confrontation or conflict.

These developments would also require prior domestic clarity on each of the issues involved, namely a reasonably clear grasp of how each would react to specific developments, such as the rapid, violent collapse of North Korea, the provocative actions of a third party such as Taiwan, or severe internal political and social instability. More generally, this would also require agreement on a series of steps that recognize the legitimate features of modernization required for national security while reducing the extent of possible threats to others. This would facilitate a far more cooperative atmosphere even as military capabilities increase overall.

To achieve such ambitious objectives, various trends driving suspicion and security competition would need to be neutralized, diminished, or prevented over the next twenty-five years. These include the unpredictability and tension in the foreign policy arena associated with types of domestic instability in China and North Korea (and perhaps India and Russia); misperceptions of both Chinese and American defense spending and military capabilities (especially exaggerations of Chinese capabilities and underestimations of U.S. capabilities); competition over efforts to secure energy resources militarily; the adverse influence of nationalist sentiments and political calculations in promoting nationalist or aggressive foreign policy behavior in China, North Korea, Japan, the Philippines, and Vietnam; any movement toward exclusionary or coercive forms of economic integration; concerns over U.S. credibility and allied provocations; the disruptive influence of historical memories; potential rifts among U.S. allies and partners; and, most important, U.S.-China disagreement over the type of power distribution best suited to sustain order and prosperity across the Asia-Pacific.

The majority of these trends and features can be effectively addressed only through clear recognition of the existence of these problems by the political and military leaders of the United States, China, and other major powers concerned; strong and consistent commitment by those leaders to reducing the influence of the negative trends; and willingness to develop a long-term strategy—likely involving mutual levels of accommodation—directed toward that end. Such an approach would probably require the creation of significant bilateral, multilateral, and regional security structures and forums that reduce distrust and threat perceptions and improve the prospects for successful crisis avoidance and crisis management. Examples of such devices would include a binding code of conduct for maritime territorial and resource disputes; various confidence-building measures regarding military exercises, deployments, and other activities; crisis management mechanisms designed to improve the clarity and credibility of signaling and improve elite understanding of the motives and crisis calculations of the other side; cooperative security structures; a collaborative approach to securing key energy SLOCs and managing Persian



Gulf instability; and formal procedures for cooperating in the management of natural disasters, pandemics, and other nontraditional security threats.

The emergence of this environment would also require that major regional powers devise domestic political and economic policies that significantly reduce the likelihood of internal instability and reduce ultranationalist social and political pressures. Other structural changes would probably include deepening levels of economic integration and interdependence, lower energy demand growth (and therefore less energy import anxiety), new energy supply sources outside the Middle East, stable or lower energy prices, the development of more effective and cooperative regional and global energy institutions, and a security environment that supports cooperation on energy resource disputes. Economic interdependence, regional integration, and a high volume of trade flows through disputed maritime areas would increase the opportunity costs of conflict for claimant states and external parties such as the United States.

### Probability

The sheer number and significance of the changes required to bring about this environment over the time frame examined clearly indicate that the likelihood of its emergence is very low. To a significant extent, an enduringly cooperative environment would require a virtual sea change in—and in many instances a reversal of—existing trends and features, including the resolution, not just the effective management, of the many sources of tension and confrontation within the Asia-Pacific region. Such a fundamental change might require a democratic revolution in China and a U.S. decision to forgo efforts to maintain clear maritime predominance in the Western Pacific in favor of an alternative, more genuinely balanced distribution of power.<sup>5</sup>

The most likely way to bring about such changes is through the gradual but persistent development of the cooperative elements and features of the Status Quo Redux environment and the steady reduction of the conflictual elements. However, the probability that such changes will occur—even in the long term—is not high absent significant developments. Indeed, a recognition by Washington, Beijing, and other major Asian powers (especially Japan, South Korea, India, and perhaps Russia) of the need to undertake the above changes in policies and approaches might require some version of the Asian Hot Wars environment. Such an environment could clarify thinking by raising in a clear and unambiguous manner the dangers of continued security competition and aggressive nationalism.

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The remaining two regional security environments are actually likely variants of, or successors to, the above environments. An Asian Hot Wars environment would most

likely unfold against the background of the Asia-Pacific Cold War environment. The Challenged Region environment would likely emerge as a variant of either the Status Quo Redux or the Pacific Asia-Pacific environment. Accordingly, many of the features evident in the above environments would also occur in these two environments.

#### IV. ASIAN HOT WARS

##### General Features

In this scenario, some level of sharp, intense, and episodic military conflict would occur between Beijing and Washington, either by accident or deliberately. Such a conflict would most likely take place as a result of the failure to contain a deliberate or accidental clash over Taiwan, disputed maritime territories in the East or South China Seas, freedom of navigation issues along China's maritime periphery, or a clash on the Korean Peninsula. In this environment, both Washington and Beijing would develop war-oriented national objectives and military doctrines and would display intensely competitive efforts to expand their influence across the Asia-Pacific through political, military, and economic means.

Another variation of this environment would witness conflict between U.S. allies and China, or involving a state supported and encouraged by China, such as North Korea. Although arguably more likely than a direct and deliberate U.S.-China conflict (see below), it is difficult to see how such conflict could continue for very long without involving Washington and Beijing.

Sustained, very high levels of defense spending and accumulated military capital stocks would likely exist among all major powers, as well as efforts to strengthen or create military alliances and other forms of adversarial behavior evident in the Asia-Pacific Cold War environment.

##### Causal or Shaping Variables

This dangerous and unstable security environment would share many of the general features identified in the Asia-Pacific Cold War environment. Indeed, as noted, this environment would almost certainly be preceded by many of the political, economic, and military trends and features that would produce an Asian cold war.

In this environment, controls on political-military incidents between Beijing and Washington or other states, occurring either directly or through third parties, would be virtually nonexistent. No credible bilateral or multilateral security assurance processes, confidence-building measures, or crisis management mechanisms would exist, and the major powers' conventional military means of deterring one another from escalating a

crisis would be of questionable value. At the same time, this environment would be characterized by sustained, high levels of defense spending and accumulated military capital stocks among all major powers, as well as those Southeast Asian nations involved in maritime or territorial disputes. An escalating pattern of forceful encounters would become much more likely in the absence of a clear nuclear deterrent, but this situation is virtually impossible absent a movement toward total denuclearization across the globe.

Expanded capabilities of the military, law enforcement agencies, and commercial actors (fishermen) would result in increased numbers of vessels and aircraft and more frequency of close encounters in contested waters, thus producing greater opportunities for conflict. In other words, the region would be highly militarized and there would be fewer restraints on escalatory behavior than in any other environment.<sup>6</sup>

Moreover, basic changes in stabilizing assumptions regarding the intentions of key participants are likely to precipitate tensions and set the stage for incidents of greater conflict. This, for example, might include a change in the U.S. “one China” policy toward support for an independent Taiwan or inclusion of Taiwan in the U.S. alliance system. Additionally, simultaneous challenges from multiple states could increase Chinese incentives to use force in one area to deter a challenger in another. This environment would likely witness a U.S. shift away from Washington’s neutral position on disputed sovereignty issues toward one that more directly confronts China or creates a “moral hazard” for provocations by claimant states. These types of actions would involve an interactive process of crisis escalation that could lower the threshold for military action.

Another change in assumptions might include Chinese clarification of the nine-dash line in the South China Sea—or the historical basis of its maritime claims—in a manner inconsistent with United Nations Convention on the Law of the Sea norms. This would lead to a much greater Chinese presence in disputed areas and reactions from claimant states that touch on vital U.S. national interests, including freedom of navigation.

In the area of energy security, the basic energy trends suggested in the Status Quo Redux and Asia-Pacific Cold War environments would be aggravated by sharper energy import dilemmas across the region, a more punishingly high and volatile energy price environment, global production shortages and supply crises, and more aggressive efforts to control contested maritime zones that might contain energy resources. Energy resources could be one factor that leads to outright conflict in the East or South China Seas and draws in the United States to support alliance partners. Although energy by itself seems very unlikely to be a sufficient cause for conflict, it could serve as a multiplier factor, raising the potential stakes in a certain area.

Beyond these features, perhaps the most important condition for the emergence of this environment would be the rise to power in both the United States and China of strong, ultranationalist leaderships dedicated to sustaining or upending the previous regional

balance of power in favor of the United States. Without a more military deterrence-oriented, risk-accepting leadership in both Beijing and Washington, it is difficult to see how the above incidents and conditions could emerge and escalate to the level of military conflict. Moreover, the emergence of ultranationalists in China would suggest that the domestic situation had become significantly more unstable, marked by a drastically slowing economy threatening the legitimacy of the Chinese Communist Party, increased levels of social discontent, and signs of serious leadership differences over policies. Such instability could give Chinese leaders incentives to demonstrate their nationalist credentials and resolve by using force to manage territorial disputes or the Taiwan problem.

### Probability

As with the Pacific Asia-Pacific environment, direct conflict between the United States and China is unlikely. In fact, this is probably the least likely environment that could emerge over even the long term. This is in part because both nations are nuclear-armed powers and will almost certainly remain so during the period under examination. Any direct use of conventional force between these powers would run the risk of escalation to a nuclear conflict, especially in the context of an Asia-Pacific Cold War. Leaders in both capitals are acutely aware of this danger and will remain so. Moreover, neither nation is likely to witness the rise to power of the kind of risk-accepting leadership that would threaten the fundamental interests of the other in a way that could trigger a deliberate, direct, and sustained use of force.

The possibility of such leadership emerging in China or the United States or both is more likely in the context of an Asia-Pacific Cold War environment, with all the dangerous features and trends noted in the above discussion, than at present. Yet a transition from an Asia-Pacific Cold War environment to a direct U.S.-China hot war would almost certainly require a series of serious miscalculations and misperceptions regarding intentions, capabilities, and behavior on one or both sides over time. This would lead to a very severe crisis or incident of the type described above, a fairly rapid escalation to conflict, an inability to deescalate from a limited level of conflict, and a subsequent commitment to employ force on an episodic basis. Although such enormous mistakes on the part of both states cannot be ruled out, they are not likely.

Unfortunately, the possibility of other types of sustained, episodic conflict (for example, between China and U.S. allies) is marginally more likely than a direct U.S.-China conflict. This places a very high premium on the need for Beijing and Washington to avoid such indirect clashes and to prevent them from escalating to more severe, prolonged conflict.

## V. CHALLENGED REGION

### General Features

This security environment is a variant of the Pacific Asia-Pacific environment in which the level of interstate tension and conflict is consistently low and the incentives to cooperate much higher than under the current situation. In the Challenged Region environment, political leaders would focus in a sustained manner on dealing with urgent—indeed virtually overwhelming—common problems such as climate change, pollution, pandemics, domestic political and social unrest, and terrorism, while the need or opportunity to pursue historical rivalries or engage in forms of security competition would decline.

In this environment, levels of domestic instability would probably be fairly high, but fears of foreign intervention and manipulation would be relatively low, thus permitting increased efforts by states to focus on internal problems. Defense spending would decline or remain level as states focused more resources on dealing with domestic and foreign regional and global challenges. In addition, many drivers of security competition or sources of political-military crises—such as Taiwan and North Korea, maritime territorial and resource disputes, and military or paramilitary activities within the first island chain and near China's coast—would become less important and deserving of immediate attention to elites and publics across the region.

In other words, while security concerns would remain, their salience in the political calculations as urgent issues requiring attention of leaders and the sentiments of the public would decline. Many of these concerns might also become more manageable due to increased crisis avoidance and management capabilities. National objectives would focus on stabilizing such problems in order to permit a focus on developing the mechanisms and capabilities for cooperatively resolving various types of transnational threats. Alliances and other multilateral mechanisms would increasingly focus on managing said transnational threats.

### Causal or Shaping Variables

This environment would not be as “pacific” as the Pacific Asia-Pacific environment in that serious nontraditional security threats would drive most interstate behavior. The absence of interstate conflict would result more from an urgent need for nations to cooperate in combating common problems than from a fundamental structural transformation of the region. That said, some improvements in avoiding or managing political-military crises would likely need to emerge in this environment to facilitate a focus on common threats.

Obviously, the most important catalyst for this environment would involve the emergence of major and pressing, long-term transnational, nontraditional threats to the safety,

health, and security of populations and governments across the Asia-Pacific region. The severity of such threats would need to be very high and sustained over several years, thus clearly overshadowing other potential sources of national concern.

In this environment, domestic instability in China would probably be high as a result of serious economic, political, and environmental problems. These would include unprecedented increases in income disparity, urban unemployment, corruption, and pollution, and possibly increasing demands from low- and middle-class citizens. For these developments to occur, economic growth rates in China and across the region and beyond would probably need to be dangerously low over many years; low growth would also prevent significant defense spending and thus dampen security competition. Energy demand growth would slow dramatically and possibly decline, making energy security concerns much less urgent. At the same time, a severe climate change situation would likely produce serious U.S.-China tensions over who is to blame.

### Probability

The likelihood of this environment emerging is very difficult to determine since it relies heavily on the occurrence of very severe transnational and nontraditional security threats that are hard to predict or even estimate, as well as developments that would suppress security competition. On balance, the probability of a combination of such events is not high, but certainly not zero. It is more likely that severe nontraditional security threats would generate a more limited level of cooperation than postulated in this environment. Such threats would probably be insufficiently grave to entirely overshadow regional security competition.

# IMPLICATIONS AND RECOMMENDATIONS

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The first four chapters of analysis on the major trends influencing the prospects for conflict and cooperation in the Asia-Pacific, and the resulting five possible regional security environments, together present a range of significant implications for the United States and the U.S. Pacific Command (PACOM). This chapter presents these implications in terms of several types and levels of strategic risk and opportunity, followed by a discussion of five areas where the United States can exert its influence to maximize opportunities while minimizing risk. On this basis, the last section of this report presents a range of policy recommendations for PACOM and Washington.

## IMPLICATIONS

This report has identified a range of factors that are currently producing, or are likely to produce, strategic risks and opportunities for the United States over the short, medium, and long term.

### Strategic Risks

**The most significant risk for the United States involves movement toward the competitive and conflictual side of the Status Quo Redux security environment.**

This development, along with a long-term danger of a transition toward an Asia-Pacific Cold War–type environment, would be driven primarily by intensifying U.S.-China security competition, either directly or indirectly through disputes with third parties. Such disputes would likely occur within the existing U.S.-led alliance system and in the probable absence of an ambitious regionwide collective security system.

**This security competition reflects the workings of two underlying sets of factors:**

1. An uncertain pattern of regional and global economic, political, and military multipolarity.

The first factor is structural and concerns the increasingly uncertain pattern of regional and global economic, political, and military multipolarity. This uncertainty centers on the strengthened capacity of China to project power and influence across maritime Asia and growing concerns about its long-term strategic intentions. It also involves a shift of the regional economic center of gravity toward China, reflected in closer regional trade ties with China and unprecedented increases in Chinese investment, and economic influence, across the region.

2. Increasing divergence between Washington and Beijing concerning the power distribution most conducive to regional order and prosperity.

The second factor centers on an increasing divergence between Washington and Beijing regarding the type of power distribution most conducive to long-term regional order and prosperity. The Chinese view prefers international progress toward a long-term (for example, end-of-century) goal of a parity-based balance of power working through consensus agreements (not formal security alliances) sanctioned or organized under the United Nations or other international organizations. In this eventual cooperative security system, China would presumably enjoy a level of power and influence second to none, but not substantially more than other major states.

Conversely, the United States and its allies favor a continued U.S. “leadership” role and the continued predominance of U.S. military power across the Western Pacific. This would be exercised through the hub-and-spokes system of bilateral security alliances and forward-deployed forces, reinforced by political and economic relationships and soft power. This approach does not aim to exclude China from playing a more important regional role or seek to diminish the role of multilateral regional forums and institutions. However, it clearly posits an order founded on continued U.S. predominance in key areas.

This difference in preference regarding the regional power distribution underlies the increasingly evident contrast, in military deployments and related policies, between a U.S. effort to maintain its past level of maritime primacy in the Western Pacific and growing Chinese efforts to limit and check that primacy, through the deployment of new or improved military capabilities.



The evolution of the Asian security environment ultimately presents several primary and secondary risks:

## Primary Risks

### A SHIFT IN NATIONAL RESOURCES TOWARD SECURITY COMPETITION

The first primary risk is a steady, strategic shift of resources in many Asian states away from peaceful and cooperative economic development toward greater arms development or racing, along with various types of zero-sum political, economic, and military security competition and rivalry. The primary duos involved in such competition would likely include, first and foremost, the United States and China, followed by China and Japan, North and South Korea, the United States and North Korea, China and India, China and Vietnam, and possibly China and the Philippines.

### INCREASED TESTS OF RESOLVE AND POLITICAL-MILITARY CRISES

A second related primary risk consists of an increased tendency among key regional states to engage in tests of resolve or efforts to “lock in” advantages over territorial and resource disputes in the seas along China’s maritime periphery. This is accompanied by an increased likelihood of high-intensity political-military crises, whether deliberate or accidental, and either directly or indirectly involving the United States. Those involved would likely include China, the United States, Japan, South Korea, North Korea, Taiwan, the Philippines, Vietnam, Indonesia, and Malaysia.

### A UNITED STATES MORE EMBROILED IN THIRD-PARTY DISPUTES

The third primary risk, occurring directly as a result of the previous risk, is a significant danger of the United States’ becoming embroiled in confrontations between local disputants, many of which are U.S. allies or partners. The twin imperatives for the United States—of reassuring allies or partners involved in such disputes while deterring coercive or destabilizing behavior by all sides—will pose an increasing challenge to U.S. attempts to sustain long-term stability in the region.

### GREATER CHALLENGES TO THE UNITY AND POWER OF THE U.S. ALLIANCE SYSTEM

Fourth, over the medium to long term, a primary strategic risk involves a weakening of relative U.S. power and the overall cohesion of the U.S. alliance system in the Asia-Pacific. This could involve more public attempts by China to question the value of the U.S. alliance system and to pressure or entice U.S. partners to opt out of that system,

possibly by presenting an increasingly more alluring, alternative set of relationships that provide both economic and security benefits. This type of pressure has the potential to increase tensions between Japan and South Korea (both U.S. allies), and between Washington and both Tokyo and Seoul over historical and territorial issues and the engagement of China.

## Secondary Risks

### EXCLUSIONARY POLITICAL AND ECONOMIC ARRANGEMENTS

The secondary risks presented by the changing security environment include the possibility of increasing tensions over various types of bilateral and multilateral political and economic arrangements that favor some countries over others or seek to exclude specific countries. Here, the central potential problem is between the United States and China, perhaps involving an exclusionary, Sino-centric economic and political structure, although Sino-Japanese antagonism could also deteriorate into a more intensely competitive dynamic.

### SEVERE DOMESTIC INSTABILITY AND VIOLENT REGIME COLLAPSE IN NORTH KOREA

Another secondary strategic risk involves increasing domestic unrest and political repression in key states associated with economic, demographic, and political difficulties. Such unrest could result in destabilizing international consequences (for example, refugee flows, heightened tensions with neighbors, aggressive foreign policies, and public health problems). This type of problem is most likely to emerge in North Korea, where it would also likely have the most serious consequences. Violent regime collapse in that country could involve intense factional conflict, refugee flows into South Korea and China, various “loose nukes” scenarios, and U.S.-China confrontations over how to address the situation.

### DOMESTIC INSTABILITY AND NATIONALIST FORCES IN CHINA

The likelihood of severe domestic disorder is notably lower in China than it is in North Korea. The greatest strategic risk associated with Chinese economic instability will likely involve disruptions in the international economy. However, if domestic instability results from the emergence of ultranationalist protests or leadership, aggressive foreign policy behavior is a possible risk.

### U.S. MISCALCULATIONS OR OVERREACTION IN RESPONSE TO A MORE POWERFUL AND ASSERTIVE CHINA

An increasingly complex and challenging security environment, involving shifts in the relative balance of power and ongoing distrust between the United States and China,

could lead Washington to rely excessively on punitive, deterrence-oriented, and primarily military means to deal with unacceptable Chinese policies and behavior. This could reduce opportunities for collaboration and make confrontational scenarios more likely.

## Strategic Opportunities

Fortunately, a range of factors conducive to current and future strategic opportunity also exists in the Asia-Pacific region. These factors could serve to restrain or eliminate many of the strategic risks cited above.

### COMMON SUPPORT FOR CONTINUED ECONOMIC GROWTH

Most notable of these factors is a common interest among states in cooperating to sustain economic growth and access to resources. The key players with frictions over territorial and political issues (such as the United States and China, Taiwan and China, Japan and China, North and South Korea, and Japan and South Korea) are likely to remain (or become) deeply engaged economically. Even though exclusionary patterns of economic behavior are possible, strong complementarities between Asian economies will reinforce the need to resolve disputes through negotiation and compromise.

### THE ABSENCE OF DEEPLY ADVERSARIAL AND EXISTENTIAL DISPUTES

Most competitions and disputes among the major Asian states are not existential in nature. That is, while the issue might involve adversarial and zero-sum elements (as in the case of sovereignty disputes), the survival of an entire government or regime or the independence of a nation does not hinge on the outcome of the issue. In this context, the relatively limited nature of the threats involved provides greater space for restraint, compromise, and accommodation in managing disputes.

### CONTINUING AMERICAN STRENGTH

Despite the probable relative decline of specific types of U.S. capabilities relevant in the vicinity of Chinese territory, a high likelihood remains that Washington will continue to exercise very strong, if not dominant, economic, military, and political influence across the Asia-Pacific region. As a result, the United States will almost certainly retain the ability to prevent or at least effectively manage the emergence of clear and important threats to its most vital regional interests, assuming U.S. leaders understand those interests and the best means required to protect them over the long term.

#### THE POSSIBILITY OF A MORE FLEXIBLE CHINA

Even though China is engaged in more assertive efforts to defend its interests, the historical record and the views of many knowledgeable Chinese analysts today suggest that a stronger, more secure, and confident Beijing might become more flexible and accommodating in the future, especially in altercations with neighbors.

#### THE POSSIBILITY OF MORE COOPERATION IN DEALING WITH NORTH KOREA

Future domestic instability in North Korea, or more dangerous behavior by Pyongyang, might result in greater international cooperation in confronting the problem. The possibility of cooperation will depend in part on the evolution of the forces shaping the developments in North Korea and the existence (or lack thereof) of prior agreements and understandings reached by involved powers, notably China, the United States, South Korea, and Japan. The possibility that North Korea might shift dramatically in the direction of Chinese-style domestic economic reforms, openness to international commerce, and expansion of personal freedoms for its citizens is a long-shot possibility for intermediate steps leading to eventual peaceful relations on the peninsula.

#### THE IMPERATIVE TO COOPERATE IN DEALING WITH TRANSNATIONAL THREATS

Most Asian states will almost certainly continue to recognize the imperative of maintaining cooperation in addressing various types of future transnational, nontraditional security threats, from pandemics, terrorism, and piracy to the health of the international economic order and common energy security challenges. Such dangers will almost certainly not abate during the time frame of this report, and many could increase.

#### Conditions Influencing the Prospects for Strategic Opportunities and Risks

Whether the United States can minimize or eliminate strategic risks and maximize strategic opportunities over the short, medium, and long terms will depend on its ability to create or shape developments in five interrelated areas:

#### THE PROSPECTS FOR SIGNIFICANT BILATERAL, MULTILATERAL, AND REGIONAL SECURITY ASSURANCES OR STRUCTURES

First, and arguably foremost, are the prospects for significant bilateral, multilateral, and regional security assurances or structures that could reduce the propensity of Asian states—especially the United States and China—to engage in zero-sum forms of strategic rivalry and arms races. Such mechanisms could prevent escalation into an

Asia-Pacific Cold War scenario and provide the basis for sustained regional cooperation in addressing common problems, while also improving the likelihood of successful crisis avoidance or management.

Such mechanisms might include:

- a binding code of conduct for the management of maritime territorial and resource disputes, and with regard to the operation of intelligence, surveillance, and reconnaissance (ISR) and other military activities in the exclusive economic zones (EEZs) of coastal states;
- various confidence-building measures regarding military exercises, deployments, ISR operations, and other activities;
- a variety of crisis management mechanisms designed to improve the clarity and credibility of signaling and to improve elite understanding of the motives and crisis management calculations of the other side;
- comprehensive cooperative or collective security structures; and
- formal procedures for cooperating in the management of transnational and nontraditional security threats such as natural disasters and pandemics.

Various trends weighted toward either conflict or cooperation suggest that, on balance, the more ambitious of such bilateral assurances and structures (such as multilateral collective security structures) are not likely, even over the long term. This is largely due to the tremendous variation within the Asia-Pacific regarding key states' size, capabilities, domestic political structures, historical experiences, and associated geostrategic interests. Absent a development approaching a successful democratic transformation in China resulting in a more cooperative, less suspicious relationship with the West; American and allied acceptance of a reduction in the prominence of the long-standing U.S.-led hub-and-spokes system of bilateral security alliances; and a lowering of tensions over many of the "hot spots" listed below, it is extremely difficult to see how such ambitious structural change could come about.

Nevertheless, less ambitious security assurances and crisis management mechanisms are entirely possible—and necessary—given the growing concern in Washington and Beijing over intensifying security competition. This is bolstered by the existence of individuals (including some former government officials) who are supportive of a policy of mutual strategic accommodation. For example, the potentially adverse impact of increased defense spending and military modernization among the major Asian powers could be mitigated by mutual agreements. In particular, it is plausible that countries in the region, led by China and the United States, could agree on a series of steps that recognize and enable the legitimate features of military modernization required for national security while reducing the possible threats to others posed by such features.

Such an approach would require greater transparency with respect to the objectives of modernization programs (and national security strategies), avoidance of certain “redlines” that would trigger counterresponses, and mutual restraint in certain domains, including both military and paramilitary (for example, coast guard) realms. This could include limits on the pace of modernization in sensitive or potentially destabilizing military realms, such as long-range precision strike systems, submarines, or amphibious and aircraft carrier capabilities, as well as a variety of confidence-building measures, such as the Code for Unplanned Encounters at Sea (CUES) agreement. Although difficult to develop, such a process of mutual reassurance is not incompatible with the long-term interests of any major Asian power.

#### UNDERSTANDINGS CONCERNING NATIONAL OBJECTIVES, MILITARY DOCTRINES, AND THE POTENTIAL USE OF FORCE

Second, some level of greater understanding needs to be reached between the political leaderships in Beijing and Washington regarding each other’s national objectives, military doctrines, and potential use of force toward volatile issues or “hot spots” that could provoke intense confrontation and instability in the Asia-Pacific. This is a necessary prerequisite to previously discussed undertakings. Such volatile issues, or “hot spots,” include North Korea, Taiwan, maritime and other territorial disputes involving third parties, maritime energy and resource requirements, and military surveillance activities in the vicinity of each side’s territorial borders. These issues will likely persist as potential sources of hostility between the United States and China for many years. With the exception of nontraditional security threats, they present the most important challenge to future stability and order in the Asia-Pacific.

Mutual understanding between Washington and Beijing regarding these catalysts of potential conflict requires reaching consensus and clarity within each government on each of the issues, as well as a clearer grasp on how each side would react to specific types of developments. Reaching such clarity and understanding, both internally and between the United States and China, might also require credible mutual accommodations on these specific issues and “hot spots.” For example, assessments of the level of potential threat posted to each side by an imploding North Korean regime, or by U.S. military surveillance activities along the Chinese coast, would be heavily influenced by preexisting security assurance mechanisms and the degree to which the other side had signaled its willingness to accept certain outcomes.

THE PRESENCE OF COMMUNICATION CHANNELS WITH ALLIES  
AND PARTNERS OF THE UNITED STATES AND CHINA

Third, the presence or absence of clear communication channels with, and avenues of influence and persuasion over, allies, partners, or key security interlocutors of the United States and China (such as Japan, North and South Korea, Taiwan, the Philippines, Thailand, and India) will prove increasingly important over time. The actions of these and other parties could draw Washington or Beijing or both into a severe confrontation or raise the level of negative security interactions across the region. Accordingly, the more Beijing and—especially—Washington can clearly convey to these powers their objectives, military doctrines, and political and security “bottom lines” regarding potentially volatile contingencies, the better the prospects for avoiding such adverse outcomes.

Obviously, providing clarity on such issues poses certain risks. For example, an ally could use its knowledge of the U.S. or Chinese “bottom line” to manipulate or provoke actions just short of such limits. However, making clear the general types of behavior that would be regarded as provocative, as well as the negative consequences that could result from such actions, could mitigate the risks of manipulation.

The failure to make clear U.S. long-term interests and commitments, the nature and limits of U.S. power and leadership, and the policies and means available to obtain U.S. objectives raises the possibility of events turning into tests of U.S. credibility.

## THE LEVEL OF COOPERATION IN PREVENTING OR MANAGING TRANSNATIONAL CRISES

Fourth, the ability of the United States to minimize strategic risks and maximize strategic opportunities will depend on the level of cooperation in managing critical common interests or preventing crises, including with regard to such issues as the health of the global economic system, the security of vital sea lines of communication (SLOCs), global and regional terrorism, and weapons of mass destruction proliferation. As indicated, such challenges will almost certainly persist over the long term and remain a major (and in some cases growing) concern for all powers in the region. Both the United States and China will likely prove unable to manage these challenges unilaterally; some level of bilateral (and in some cases multilateral) cooperation will almost certainly be necessary. The key question is: will the imperatives for maintaining cooperation in these areas remain predominant in the minds of U.S. and Chinese leaders—thus keeping the prospects of an Asia-Pacific cold war relatively low—if some or all of the three preceding factors evolve in highly negative ways?

## THE DYNAMICS DRIVING THE FORCES OF NATIONALISM

Fifth, opportunities for risk minimization and opportunity maximization will depend on the dynamic relationship between the forces of nationalism and growing public awareness of the government's overseas policies and actions; national economic success or failure; and political leadership change in China, the United States, and among third-party actors. Both economic success and failure could correlate with increasing nationalist sentiments and political maneuvering that facilitates the emergence of more externally aggressive political leaderships. Some of these catalysts are already evident in China, Japan, and Russia. The emergence of such leaderships is by no means inevitable, however, especially given the continued economic and political realities incentivizing cooperation. Nevertheless, the close and growing connection between nationalist appeals and regime legitimacy in many states could counteract such positive incentives.

**DIPLOMATIC RECOMMENDATIONS**

Much of the analysis in this report confirms that the evolution of the security environment in the Asia-Pacific over the next twenty-five to thirty years will be heavily—and in some cases decisively—influenced by the actions of the United States. In other words, the challenges and opportunities confronting the United States and PACOM in the Asia-Pacific are not simply developments to which Washington and Honolulu must respond; to a very great extent, they exist and will evolve as a result of the actions U.S. leaders take now and in the future. While the United States remains the strongest and most influential power across the region, its ability to shape the region will likely diminish, especially if Asian (and particularly Chinese) economic growth continues at a relatively rapid pace, as expected. As a result, the development of a long-range U.S. strategy that can extract the maximum benefits out of an increasingly complex security environment will be essential.

The analysis of this report suggests a range of possible policy recommendations for the United States government and PACOM.

## Clarify U.S. Interests in the Asia-Pacific

First, appropriate U.S. agencies should undertake a discussion aimed at identifying the long-term primary, secondary, and tertiary strategic interests of the United States in the Asia-Pacific in the context of the dynamic changes identified in this report. Such a discussion should encompass both U.S. requirements and preferences regarding the future Asian strategic landscape, including:



- U.S. operational strategies and deployments toward the Korean Peninsula and Taiwan;
- the desired relative military capabilities, deployments, and major activities (for example, ISR and military exercises) of the United States and China in the Western Pacific;
- the specific content and implications of U.S. operational military concepts, such as the Air-Sea Battle concept, for both long-term strategic interests and crisis stability;
- U.S. preferences regarding the size and military purpose of nuclear, space, and cyber-weaponry and related capabilities in the Asia-Pacific;
- U.S. willingness (or lack thereof) to tolerate a nuclear-armed North Korea that possesses a credible ability to deliver nuclear weapons to regional targets or possibly to the continental United States;
- the preferred long-term disposition of the U.S.-led alliance system under varying conditions (including discussions of how that alliance system can complement a broader, more inclusive security architecture for the Asia-Pacific); and
- the overall level and types of multilateral political and economic relationships and structures that would best serve U.S. interests.

Clarity regarding long-term U.S. requirements and preferences on these issues would provide the basis for an effort to develop effective security assurances and deterrence messages to China and other major Asian powers, including U.S. allies. Such an undertaking would reduce strategic risk and enhance strategic opportunities over the long term. Although U.S. interests may change over time, a distinction between vital and secondary interests, and the factors that might change both types of interests, and in what manner, can and should be clarified significantly.

### Conduct an Unprecedented U.S.-China Strategic Dialogue

Second, as part of an expanded effort to develop more effective means of strategic reassurance between the United States and China and, indirectly, with other Asian states, Washington should actively support the development of a long-term strategic dialogue with Beijing. Such a dialogue, undertaken initially at the Track 2 level but with clear government backing, should be long term, more integrative regarding a variety of concerns, and more strategy-centered than the current dialogues held with China. Such a dialogue would require integrating global, regional, and functional strategic issues (both competitive and cooperative) with a larger discussion of grand strategic objectives and interests over time.

This dialogue would perform, bilaterally, many of the functions undertaken by this project, including:

- linking long-term projections of likely trends and activities in the economic, energy and resources, social, political, diplomatic, and military arenas, with explanations of primary and secondary national interests as they relate to global, regional, and bilateral security issues;
- identifying and explaining those trends and activities that would most likely create significant security concerns; and
- determining what is required by each side—bilaterally, multilaterally, and otherwise—to avert growing security competition (including, if necessary, changes in anticipated force structures and deployments, new or more intense types of cooperative and trust-building exchanges, and other forms of reassurance).

Such an undertaking would involve far more than simply exchanging views on issues and policies that vex one another. It would require detailed assessments and explanations—with a significant level of transparency—regarding a range of expectations, fears, and intentions. These expectations, fears, and intentions would need to be contained within a broad set of varying assumptions about global and regional objectives and trends. This does not imply assuming straight-line projections from current trends, but rather examining several alternate futures along a spectrum of possibilities, as is done in this report. To some degree this dialogue would necessarily need to be speculative and include some understanding of how different types of cooperative or competitive policies could interact over time. It would also require significant preparation regarding current and future trends and features, and the development of scenarios and hypotheses encompassing both U.S. and Chinese policies and priorities.

Participants in such a strategic dialogue would need to include not only political and security specialists of the Asia-Pacific region, but also regional and country economists, experts in military strategy and weapons systems, and individuals with knowledge of each side's political and decisionmaking processes. Although to some extent an intellectual and conceptual undertaking, this dialogue would primarily require a very practical, policy-oriented understanding of the interests and requirements of both countries over time. Moreover, its observations and conclusions would need to be appropriate to the decision-making and policy structures of both countries.

The results of this ongoing, government-supported Track 2 effort could eventually feed into a Track 1.5 dialogue in the military and diplomatic realms. It would involve discussions among government and nongovernment participants of national and military strategy and doctrine, and would ultimately involve the policies of the United States and

China. Such a dialogue would be unprecedented, befitting the challenges posed by the current situation.

### Undertake a Range of Strategic Assurances Between the United States and China

Third, as near- to medium-term initiatives designed to provide greater strategic reassurance between Washington and Beijing while addressing each side's vital interests, a variety of specific reciprocal and joint actions should be considered. This will be difficult but is nonetheless important. Some policy analysts and former U.S. officials have already offered suggestions that, while controversial and not all agreed upon by those contributing to this paper, are among the ideas worth considering. They can be found in the Appendix at the end of this report.

### Clarify and Strengthen the U.S. Position on Maritime Disputes

Fourth, Washington should sharpen its policy approach toward maritime disputes in the East and South China Seas. In the South China Sea, it should encourage the disputants to take steps to lower the perceived value of the islands. They could do this by delineating joint fishing and joint environmental protection zones, without prejudice to maritime jurisdictional claims. The same could be done for hydrocarbons in some areas of seabed minerals. A more extreme proposal would be to reach an agreement that none of the features in the South China Sea are islands under article 121 of the United Nations Convention on the Law of the Sea, which means that none would generate a 200-nautical-mile EEZ. But the basic idea here is to reduce the stakes in the dispute, which means reducing what states “get” from their sovereignty claim.

The United States should also encourage the South China Sea disputants to enhance crisis management. As part of this effort, a Southeast Asian model of the North Pacific Coast Guard Forum could be established to serve as the basis for joint law enforcement activities. Washington should also encourage the application of the CUES agreement to nonmilitary government ships such as coast guard vessels.

In addition to these initiatives, a variety of analysts have offered detailed proposals for improving the U.S. stance toward regional maritime disputes. One such notable set of recommendations worth serious consideration is contained in a recent article by Jeffrey Bader, a retired career Foreign Service officer and former senior National Security Council official on Asian affairs; Kenneth Lieberthal, a China scholar, Brookings Institution analyst, and former National Security Council official; and Michael McDevitt, a retired rear admiral, former Pentagon Asia official, and current senior fellow at the Center for Naval Analyses. Their recommendations can be found in the Appendix at the end of this report.

### Develop a Coordinated Force for SLOC Defense

Fifth, Washington should undertake a sustained effort to develop joint maritime exercises and other activities among China, other major Asian states, and the United States, designed to establish a coordinated force for SLOC defense against both nonstate and state actors. The case for collaboration in this area is very strong. Coordination in securing energy sea-lanes between the Middle East and Asia is a major opportunity in building mutual trust and collaborative mechanisms for maritime cooperation. This requires that the United States actively encourage China to participate in cooperative energy sea-lane security operations as Beijing's ability to perform such activities grows. Such efforts are strongly supported by many experts, including Lieberthal, McDevitt, and Dennis Blair, a retired admiral and former PACOM commander and director of national intelligence.

### Provide Greater Support for a Variety of Crisis Management Mechanisms

Sixth, Washington should consider a variety of crisis management mechanisms that could help avert or manage future political-military crises over maritime territorial disputes and other contentious issues. These include:

- a hotline between the U.S. National Military Command Center and the People's Liberation Army (PLA) General Staff Department Operations Department;
- hotlines between PACOM and the Nanjing, Shenyang, and Guangzhou Military Regions;
- an incidents at sea agreement covering interactions between U.S. (and Japanese) and Chinese ships and aircraft;
- the designation of one or more trusted individual emissaries (not a sitting official) to convey sensitive messages between the U.S. and Chinese sides in a crisis;
- a Japan-China maritime communications mechanism, including crisis management mechanisms similar to those mentioned, and maritime mechanisms between coast guards; and
- expanded joint fishing agreements among disputants in the East and South China Seas, agreements regarding aerial intercepts, and prenotification agreements of naval transits through sensitive waters.

### Establish a Regional Forum for the Discussion of Energy Security Issues

Seventh, in the energy realm, it is vital to begin dealing, in a regional forum, with strategic tensions in the Asia-Pacific region over control of energy resources and transportation routes. As noted in this report, energy competition will be an important variable

influencing a move toward either competition or cooperation in Asia over the long term. Creative U.S. diplomacy could find ways to work with China, Japan, South Korea, India, and Southeast Asia on regional energy security issues, including emergency oil and natural gas stocks and market arrangements. This should be linked to Asia's growing dependence on the Persian Gulf and SLOCs, and combined with market and maritime strategic cooperation. One possibility is the establishment of an annual regional energy security dialogue among the United States, China, Japan, South Korea, India, and Russia to build a more cooperative vision for energy security in the region, reduce distrust, and diminish the incentives that make energy security a source of military and diplomatic competition.

### Strengthen ASEAN Institutions and Establish More Engagement With Individual ASEAN States

Eighth, in the economic realm, the United States could consider promoting a free trade agreement with the Association of Southeast Asian Nations (ASEAN) that focuses on and takes full account of ASEAN priorities. The Trans-Pacific Partnership, unfortunately, includes only four ASEAN countries and is driven by U.S. priorities, while the China-promoted Regional Comprehensive Economic Partnership is consistent with “ASEAN centrality” and is far more focused on delineating common ground among negotiating members. Using the principle of ASEAN centrality, the United States could focus on strengthening ASEAN institutions by endorsing their role as action-oriented institutions that are able and willing to tackle regional issues, including the protection of common fishing grounds, maritime rules of the road, environmental conservation in the Western Pacific, the management of pandemics, and perhaps even defense cooperation.

The United States should also complement its ASEAN-centered approach with strategies toward individual ASEAN countries. Such an approach could follow the U.S.-Indonesia Comprehensive Partnership model by using similar models in other Southeast Asian countries. Such a comprehensive partnership model should incorporate the Expanded Economic Engagement initiative and provide multilayered engagement that builds relationships among institutions in countries and covers economic, security, political, social, environmental, and technology priorities.

This would represent a genuine partnership between the United States and its Southeast Asian partners. Most important, the United States could use the comprehensive partnership as an umbrella to build a new security architecture among Southeast Asian countries (one that goes beyond the rhetoric of the ASEAN Regional Forum and the ASEAN Defense Ministers' Meeting-Plus) and between Southeast Asia, India, Japan, China, and Australia.

Except in the most extreme cases, the United States should remain engaged in countries—at all levels—even where it has serious concerns about human rights and autocratic political systems. The United States will be better positioned to engage countries on human rights and democracy issues when it is seen as supportive of other, mutually beneficial, priorities. The United States should reevaluate its policies toward other Southeast Asian countries to see where cooperation can be expanded.

## ALTERNATIVE MILITARY-POLITICAL APPROACHES AND THEIR CONSEQUENCES

In addition to the largely diplomatic recommendations listed above, the analysis in this report suggests the applicability of the three major possible U.S. and allied military-political approaches to the evolving Asia-Pacific security environment that were presented in the 2013 Carnegie Endowment report, *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*: a robust forward presence, conditional offense/defense, and defensive balancing. Each approach is primarily oriented toward creating sufficient levels of both deterrence and reassurance capabilities toward China, and each has its advantages and disadvantages.

### Robust Forward Presence

The first possible approach would require that Washington and its allies maintain strong U.S. freedom of action and the clear ability to prevail in conflicts through a robust operational concept based on a heavy forward presence and stressing deterrence over reassurance of China, while pursuing security-related cooperation with both China and (especially) other Asian nations.

This strategy would involve the creation of a very robust operational approach that integrates a strengthened U.S. alliance structure into a system designed to neutralize entirely any future anti-access/area denial (A2/AD) or power projection capabilities that China might deploy over the next twenty-five years.

Such strong deterrence signals of overwhelming strength and alliance unity would be combined with many of the existing nonmilitary elements of U.S. policy toward China and Asia—including strong demonstrations of U.S. political and economic commitment to and involvement in the region; continued support for different types of multilateral, cooperative structures and dialogues; and continued efforts to engage Beijing and shape its views on a variety of security-related issues.

At the same time, this strategy would probably not require any major changes in existing U.S. and alliance policies and approaches regarding those issues that would most likely generate regional crises or incidents over the next fifteen to twenty years, such as

maritime territorial disputes, the Taiwan issue, and the presence of foreign military ships and aircraft in EEZs. Indeed, given the U.S. objective of retaining or even expanding existing allied military advantages in all relevant domains, this response would likely lead most U.S. policymakers to conclude that China would not need to be more significantly reassured, much less accommodated, on any important security issues, beyond current or anticipated levels.

On the military level, this strategy could be implemented using a variety of specific operational concepts, including, notably, an Air-Sea Battle (ASB)–centered approach or an Offshore Control–oriented approach. Although still largely undefined, the ASB concept would ostensibly involve a networked, domain-integrated, deep-strike–oriented force structure designed to disrupt, destroy, and defeat all relevant Chinese A2/AD-type capabilities, encompassing both offshore weapons systems and supporting onshore assets. The doctrine guiding the use of such a force structure would require the ability to survive a possible preemptive PLA air and missile attack on forward U.S. and Japanese military assets and then respond quickly with coordinated strikes on China’s command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) infrastructure. This would be followed by the destruction or neutralization of all of the PLA’s A2/AD-type weapons systems, both offshore and onshore and in both space and cyberspace.<sup>1</sup>

An ASB-oriented force posture would likely include several components:

- a well-developed suite of long-range strike capabilities, and the willingness to support deep penetrating strikes on mainland targets at the outset of a conflict; some of these targets may be of possible strategic (that is, nuclear-weapon–related) value to China;
- a large carrier fleet with a modified role that likely emphasizes rear-area support in the early stages of a conflict, along with more traditional forward-based power projection missions after China’s A2/AD-type defenses are subdued;
- a commitment to extensive, albeit selective, hardening of existing military bases in Japan and Guam, along with an expansion of temporary basing and access for U.S. forces across Northeast and Southeast Asia and in Australia;
- a large and integrated missile defense system across air, sea, and land, requiring a high degree of interoperability between U.S. and Japanese ballistic missile defense (BMD) for regional bases, across services and systems;
- an expanded C4ISR network spanning undersea, airborne, surface, and space environments, with robust connectivity and coordination with Japan;
- robust offensive and defensive space-based kinetic and nonkinetic capabilities (including cyber- and possibly space-based systems) that can work in rapid succession to “blind” Chinese ISR; and



- a high level of integration of doctrine, missions, and capabilities between the U.S. Air Force and U.S. Navy, to enable counter-A2/AD campaigns across multiple domains in operationally difficult environments.

One variation of this concept would emphasize long-range, stealth airpower over forward-based or carrier-deployed airpower. Chinese A2/AD-type capabilities, principally the implementation of long-range, precision-guided munitions, put at risk the current U.S. conception of air and naval power, which relies on large aircraft carrier platforms and short-range tactical aircraft (TACAIR) for local air superiority and power projection. An alternative to such a U.S. reliance on carriers and TACAIR would involve the heavy use of long-range conventional precision-strike capabilities, long-range stealth bombers, and long-range stealth unmanned aerial vehicles capable of penetrating Chinese airspace. Though shifting away from a primary emphasis on aircraft carriers and TACAIR-based power projection, this new conception would in principle enable the alliance to maintain a credible level of deterrence at longer ranges, as part of the ASB concept.

According to U.S. defense officials and analysts, the purpose of such capabilities and accompanying doctrinal approaches would be to perpetuate the viability and hence the credibility of U.S. power projection and access to the global commons and to prevail in the event of any conflict involving maritime spaces. This ability to prevail in a conflict would presumably deter China from being tempted to engage in coercion, aggression, or other actions judged threatening to stability in the Asia-Pacific region. Additionally, it would reduce the perceived need to withdraw U.S. military assets from forward positions due to their growing vulnerability to missile and air attacks.

Under this strategy, regardless of the level of reliance on forward-deployed carriers or aircraft, Japan would probably need to increase significantly the effort and resources it would devote to defense of the home islands and disputed territories, along with various types of noncombat support for U.S. forces. At the same time, Japan would have to clarify its commitment to providing necessary U.S. access to facilities. More important, this strategy would almost certainly require a high level of integration between Tokyo and Washington in some key areas, notably C4ISR, as well as missile defense and anti-mine/antisubmarine warfare (ASW) capabilities, along with more ambitious and more frequent joint exercises in areas surrounding Japan.

A second operational concept related to this response that could provide a possible alternative to the ASB concept would center on a barrier/blockade strategy designed primarily to maintain a high level of deterrence against efforts by China to prevail in any conceivable coercive or combative actions undertaken both within and beyond the first island chain (including operations targeting Japan, other allies, or Pacific sea lines of communication). This alternative, mentioned above as the Offshore Control strategy, would



not aim to directly counter Chinese A2/AD-type capabilities; nor would it rely on deep strikes into Chinese territory. Instead, it would focus on creating a barrier to Beijing's use of the far seas and a blockade on Chinese ports that could support such use, along with operations closer to the Chinese mainland.<sup>2</sup> The barrier aspect of this orientation would draw a line at the first island chain, relying on increased deployments of Patriot missile battalions, enhanced ISR, and most likely additional basing arrangements, principally in the southwest islands of Japan, as well as the support of other Asian nations. The blockade aspect would require an extensive naval (and primarily submarine) force to implement, partially for handling interdiction of both commercial and naval vessels near China's shores, if necessary.<sup>3</sup>

From a military standpoint, a U.S. blockade and barrier effort against China would benefit from various factors, including the larger size and greater sophistication of the U.S. Navy; the vulnerability of Chinese support and response ships and planes, especially at long distances; the PLA's lack of aerial refueling capacities; and the limitations of Chinese submarine technology, training, and ability to operate around shallow straits.<sup>4</sup> These capabilities would allow the United States and Japan to hold at risk efforts by Chinese naval or air forces to undertake and sustain threatening operations near Japan and beyond the first island chain. Dispersal of additional U.S. forces would also challenge the Chinese ability to threaten a limited number of U.S. bases near the Taiwan Strait. This strategy would require both high U.S. and high Japanese capacity. Furthermore, it would necessitate that Japan play a large role through the provision of additional basing, the overall strengthening of bases, and the acquisition of new types of capabilities.

Even more than in the case of the ASB concept, the effective implementation of this strategy would almost certainly require Japan to become a far more "normal" military power, in order to augment U.S. air and naval assets and perform many combat-related missions beyond the home islands.

Both military operational concepts described above—ASB and Offshore Control—would presumably be combined with continued efforts to deepen military-to-military and other security-related interactions between Beijing and both Tokyo and Washington, as well as broader, multilateral attempts to expand levels of military and nonmilitary cooperation across the Western Pacific. The purpose of such interactions would ostensibly remain that of reducing strategic distrust, deepening habits of cooperation among all major Asian powers, and creating a wider and clearer consensus on security norms and activities, thereby raising barriers to unilateral or aggressive Chinese actions. At the same time, it is likely that the military dimensions of this strategy would result in an overall emphasis on strengthening relationships with U.S. allies and friends in the region over engaging Beijing on these issues, as part of an effort to enhance deterrence vis-à-vis China.

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This overall approach, if successfully implemented, would signal a clear and convincing commitment to a continued strong—indeed, superior—U.S. military capability and close set of alliance relationships as the basis for security in the Western Pacific well into the future. As a result, this strategy could facilitate the creation of a more stable, long-term regional security environment, assuming that its likely deficiencies were resolved. On the negative side, the implementation of either of the muscular operational doctrines outlined above would likely make it much more difficult to put in place the cooperative, reassurance-focused dimensions of this strategy. Such doctrines could fuel a level of Chinese hostility and distrust that would make virtually meaningless any efforts at establishing credible, inclusive multilateral security assurances. Indeed, an economically robust China that continues to devote considerable sums of resources to the defense sector would almost certainly respond to the military aspects of this strategy by developing more potent, and escalatory, countermeasures. These could include less “asymmetric” capabilities, with an emphasis on long-range stealth bombers, enhanced aerial refueling capacity, and aircraft carrier battle groups of a sufficient number and size to enable the PLA to project and sustain power to the first island chain (including the Japanese home islands) and well beyond. The overall result could be heightened levels of security competition, a major move toward genuine regional polarization, and a resulting increased likelihood of crises over the next fifteen to twenty years.

Moreover, such an outcome could become even more probable if no appreciable progress is made toward reducing existing tensions over the most likely sources of such crises, including disputes over territorial issues such as the Senkaku/Diaoyu Islands, energy exploration in the East and South China Seas, and foreign military activities within the EEZs of China, Japan, and other nearby nations. As suggested above, this strategy would most likely not emphasize efforts to reduce such tensions through mutual accommodation or other means. To the contrary, it likely would rely more on strengthening alliance ties and relations with other Asian friends and allies than on overcoming tensions through negotiation and compromise.

This robust approach could also empower hardline leaders in Beijing, who could more easily rationalize their arguments for adopting a more assertive approach toward Japan and other U.S. allies by pointing to evidence that the alliance is being used in an effort to contain and encircle China. This would be particularly true if the Chinese Communist Party has to cope simultaneously with leadership struggles and domestic unrest. In addition, from a capabilities perspective, it is quite probable that the United States and Japan will lack the financial resources, technological capacity, and political willpower necessary for such an ambitious military approach, especially during the time frame examined in this report. A variety of U.S. and Japanese economic and political problems are likely to continue for several years at least, even under the best-case scenario of continued U.S.

and Japanese military superiority.<sup>5</sup> This could prevent the acquisition of the most costly elements of a robust force structure oriented toward the ASB concept or an Offshore Control approach, including costly new and unproven platforms such as a large number of next-generation stealth bombers, stealth unmanned aerial vehicles, conventional prompt global strike, and improved littoral combat ships. Moreover, even if ample levels of funding were to become available in the United States, long-standing problems in weapon development and procurement times, combined with the very significant challenges confronting interservice and United States–Japan/allied force integration, could delay or prevent the fielding of an effective force structure and infrastructure capable of fully supporting the above-mentioned operational doctrines.<sup>6</sup>

In the absence of major catalyzing provocations or incidents, Tokyo is also unlikely to make the level of financial commitments and push the type of major political and policy changes (including prior permission for a greatly expanded level of access by U.S. forces to U.S. and Japanese bases on the home islands) likely required to support such a robust operational approach. Indeed, except under the most extreme and unlikely regional scenarios, domestic political-economic constraints are likely to keep Japanese military responses focused on enhanced C4ISR, defense of the southwest islands, rear-area support, and base-hardening measures. Moreover, even under conditions of a much higher level of urgency in Tokyo in response to perceived Chinese threats, doubts could very likely persist in Japan regarding both the operational realities and limits of a muscular military doctrine, and the risks of being entrapped in an antagonistic or openly confrontational relationship with China.

Finally, from a purely military perspective, even if implemented as designed, this strategy could prove to be an ineffective deterrent and might aggravate instability in a crisis. Under an ASB concept, for example, it is by no means clear that the United States could identify and target the large number of critical PLA assets (many mobile) that would need to be struck in the early stages of a conflict. Even a barrage of cyberattacks, counter-space attacks, and inland bombing could still leave some critical C4ISR networks intact, along with many mobile missile launchers. At the same time, the United States would remain, to some extent, reliant on immobile aircraft shelters and runways at a few forward bases, in Japan or Guam or elsewhere in the Western Pacific; static or passive defenses would not be able to guarantee the safety of these fragile assets against the sort of powerful, accurate, and sophisticated ballistic missiles China possesses. Likewise, even under a high-capacity U.S. trajectory, American aircraft carriers might remain highly vulnerable to Chinese ballistic and cruise missiles and PLAN submarines, thereby significantly reducing their utility as part of the ASB concept.

Also, though proponents argue that a robust ASB concept could create more options in a crisis, in fact, the likely need to carry out deep strikes early in a conflict could make escalation control far more problematic. The stress on early preemptive strikes against the

PLA would likely compress the time available to decisionmakers in a crisis. In addition, early, conventional deep strikes against Chinese C4ISR assets in a conflict could easily be misconstrued in Beijing as an attempt at destroying preemptively China's retaliatory nuclear options. Under intense pressure, it would be hard to limit a dramatic escalation of such a conflict—including, in the worst case, up to and beyond the nuclear threshold.<sup>7</sup>

The Offshore Control approach exhibits similar shortcomings. Notably, it suffers from the reality that Chinese nationalism would be inflamed by the apparent actualization of the long-held accusation that Washington is seeking to contain Beijing. Such an approach would catalyze intense, unifying sentiment against the United States, giving domestic Chinese leaders additional leeway and a mandate to take aggressive actions to counter U.S. hegemony. At a strategic level, such an explicitly containment-oriented force posture would worsen the security dilemma and probably increase the likelihood of crises and incidents at sea and between the respective air forces. Moreover, the level of Japanese militarization likely required under this approach would deeply trouble Beijing, increasing threat perceptions and potentially destabilizing political and diplomatic relations, with likely second-order effects throughout the region. Indeed, measures to reassure Beijing while deterring aggression would be fraught with the difficulty of establishing both credibility and stability.

In addition, a naval blockade might fail to accomplish its objective and result in knock-on effects to global energy markets with potential economic and political consequences. The threat of a military embargo or blockade would likely trigger open and expansive hostilities. Moreover, China could potentially draw from rapidly growing domestic strategic oil stocks and overland pipeline supply sources to fuel its essential military and commercial needs to thwart a blockade.<sup>8</sup> Given that this approach would leave the core systems undergirding Chinese A2/AD type capabilities intact, China could take asymmetric retaliatory actions elsewhere, mining ports and bases, launching missile strikes on regional targets, attacking allied replenishment ships with submarines, or even using nuclear weapons. A blockade could also damage U.S. diplomatic and political relations with several Asian nations beyond China and create enormous global economic distortions.

Depending on the origins of the conflict, the United States could receive vigorous protests from regional states and even isolation from the international community. The refusal or inability of third-party nations to comply with the terms of a blockade or to provide resources to support it, could, at best, require the United States to expend still-greater resources to intercept commercial ships and, at worst, see U.S. ships sink non-Chinese vessels in diplomatically costly engagements. Executing a distant blockade would entail a number of additional challenges, including handling captured ships and managing uncooperative ones, along with identifying and blocking ships headed for China, given that third parties could undertake transshipments of oil. Finally, the blockaded area could potentially be sidestepped with other, longer transit routes. Naval blockades

are typically most effective as part of a set of attacks and may be ill-suited to a limited offensive engagement.<sup>9</sup>

### Conditional Offense/Defense

The second possible strategic approach would entail a more conditional and balanced offense/defense-oriented strategy to preserve key military advantages, involving incremental changes in current doctrine, more limited United States–Japan alliance actions, and a more equal emphasis on deterrence and reassurance in relations with China. This strategy, born largely of an anticipation of long-term economic and political constraints and concerns and a greater attention—in both Washington and Tokyo—to the potentially destabilizing aspects of the strategy described above, would involve the creation of a less ambitious operational doctrine. It would be focused on two issues: preserving alliance advantages in a more limited number of areas, and neutralizing those Chinese A2/AD-type capabilities located primarily outside the Chinese mainland and perhaps along China’s coastline, not in the vast interior.

Under this strategy, the level of operational integration with Japan would be marginally less and the attention paid to reassuring China marginally more than in the strategic approach described above. In particular, this strategy would place a greater emphasis on efforts to reassure China that increased U.S. and Japanese capabilities will not be used to threaten vital Chinese interests (for example, regarding Taiwan) and to integrate China more fully into regionwide multilateral structures and dialogues and adopt a variety of confidence-building measures designed to reduce mutual strategic distrust. The operational military core of this strategy would include a less integrated and networked force structure that is much less reliant on penetrating strikes and thus less oriented toward the early, total destruction of China’s A2/AD-type C4ISR infrastructure in a conflict.

Although the United States would field select capabilities tailored to disrupt and destroy anti-access weapons, much of the existing U.S. and Japanese force structure would remain largely unaltered under this approach, although the quantity and quality of many systems would increase significantly. Integration in doctrine, missions, and capabilities between services would increase, but it would probably not improve to the level envisioned under most variants of the ASB concept. This approach would also include a very heavy reliance on both active and passive air defenses for U.S. and Japanese naval and ground-based assets and a continued heavy dependence on land- and sea-based TACAIR (rather than long-range, deep-strike, or unmanned systems), cruise missiles, and sophisticated ISR and cybercapabilities.<sup>10</sup>

The doctrine guiding the use of this force structure would require the ability to survive initial air and missile attacks and then operate effectively from forward bases that remain

exposed, perhaps indefinitely, to such threats, in order to conduct highly punishing kinetic and nonkinetic attacks on Chinese A2/AD-type assets operating offshore, along China's maritime periphery, and in cyberspace and outer space. To ensure the effectiveness of such attacks, however, Washington might also need to withdraw some of its key assets (such as major missile-armed surface combatants) outside Chinese air and missile ranges early in a conflict. To some extent, under this approach, the United States could face a difficult trade-off between maintaining the security of vital power projection platforms, such as carriers and their tactical aircraft, and sustaining intense operations deep within the first island chain, in areas densely populated by Chinese anti-access platforms.

As with the robust forward presence strategy described above, under this more moderate operational approach, Japan would still need to increase the effort and resources it would devote to the defense of its home islands and disputed territories and various types of noncombat support for U.S. forces, as well as provide increased U.S. access to Japanese facilities. However, this strategy would likely envision a lower level of integration between U.S. and Japanese forces in many key areas, including C4ISR, as well as a clearer division of labor between a Japanese focus on rear-area support and the defense of the home islands, and a U.S. focus on combat missions beyond Japanese territory. Hence, many of the unprecedented Japanese roles and missions postulated under the first strategy described above would likely not emerge under this approach.

As suggested above, this approach would likely be combined with increased efforts to deepen military-to-military relations with Beijing (in bilateral, trilateral, and regional venues) and strengthen broader areas of nonmilitary cooperation among all three powers and across the region—for example, with regard to such issues as transnational crime, terrorism, and disaster preparedness and relief. This would largely amount to the continuation of long-standing efforts to expand potential cooperative agreements among Asian states.

## ASSESSMENT

When compared with the robust forward presence strategy, this overall approach would probably prove more affordable, less provocative, and less likely to require major, unprecedented increases and expansions in the level and function of Japanese (and to some extent U.S.) military capabilities and missions over the next fifteen to twenty years and beyond. Although still financially ambitious, this option, unlike the approach described above, would not rely on greatly increased levels of resources and a transformation in Japan's approach to its security; nor would it necessarily require doctrines predicated on early, deep strikes into Chinese territory or muscular blockades and barriers designed to prevent Chinese power projection. Thus this approach would probably place the United States and Japan in a better position to sustain a more economically viable and politically realistic level of deterrence and perhaps a greater capacity to control escalation in a crisis,

especially if both countries manage to attain only mid-capacity levels of development at best, while China sustains a high-capacity level of military development. Such an imbalance would likely generate significant pressure on Tokyo and Washington to adopt an alternative to such robust operational strategies as the ASB or Offshore Control concepts.

This approach might also reassure, to some extent, those in Japan and elsewhere who fear growing regional polarization and an increasingly hostile and dangerous U.S.-China relationship deriving from the interaction between a preemption-oriented A2/AD-type strategy and a deep-strike-oriented, counter-A2/AD strategy. The increased emphasis on bilateral and multilateral cooperative security actions, combined with the lessened reliance on deep-strike capabilities, could also offer the prospect of reducing the incentives and abilities of all sides to engage in competitive security behavior over the long term.

Despite such probable advantages, this approach would not eliminate the arguably increasing threat perceptions and other dangers that would likely result from the major increases in capability and presence on both sides associated with this approach. The U.S. force structure posited in this approach would still be primarily oriented toward offensive power projection capabilities that are vulnerable to anti-access weapons. That could potentially require the United States to consider preemptive or escalatory measures to ensure their security in the event of an actual conflict. Indeed, it would likely be possible to avoid such measures only if U.S. forces could achieve their operational objective of neutralizing China's A2/AD-type capabilities by limiting the targets of their attacks to Chinese anti-air batteries, missile launchers, and over-the-horizon radar systems near the coast. To some analysts, this is a highly questionable assumption, given the fact that many of Beijing's key radars, C4ISR assets, and even some missile batteries are located far inland. As a result, restrictions against striking targets deep on the Chinese mainland could clash with the operational realities of countering certain anti-access types of capabilities that would otherwise threaten key U.S. assets within the first island chain.

In addition, though the United States would probably preserve its technological edge in some key areas through the application of more lethal or longer-range capabilities (for example, long-range cruise missiles, sophisticated ISR, and cyberattack), it would probably struggle to achieve the same goals operationally in other areas (for example, ASW within China's littoral waters) against a potentially dense network of anti-access capabilities, given fundamental, enduring physical constraints, and the low level of integration posited under this approach.

Hence, the overall credibility of alliance deterrence might suffer under this strategy, unless such deficiencies were compensated by significant reductions in tensions through more effective security assurances. Although doubtless difficult to achieve, such assurances would probably be more feasible with this strategy than under the approach described above, largely due to this strategy's less provocative and escalatory consequences.



A strategy based on active ballistic missile defense (BMD) measures would face its own limitations. If the United States were to try to counter the Chinese antiship ballistic missile and CSS-6 threat by buying more SM-3s, China could undercut such efforts by investing in decoys and countermeasures and by simply increasing its production of missile systems. Additional U.S. investment in expanded BMD systems at some point would serve only to “thin the herd,” if China were to outpace the United States and Japan in terms of relative missile quantities.<sup>11</sup> Finally, this approach could generate Japanese fears of U.S. “abandonment” over time, given the lower level of U.S. and Japanese C4ISR and force integration envisioned in this strategic approach and the continued pressures on U.S. forces to operate as much as possible beyond the range of Chinese air and missile attacks.

### Defensive Balancing

The third strategic approach would focus on a more limited offensive, primarily defensive force posture and doctrine, with a greater reliance on lower-visibility, rear-deployed forces. This strategy, perhaps favored by those most concerned about the negative aspects of the two approaches described above, would involve a very significant change in current U.S. defense doctrine, force posture, and political arrangements in the Western Pacific. It would entail a shift away from efforts to sustain existing military advantages and freedom of action throughout the first island chain via offense-oriented, forward presence-based military strategies and alliance-centered political strategies. It would require movement toward a more genuinely balanced regional power structure based on defense-oriented, asymmetric strategies, and much greater efforts to defuse the likely sources of future crises through mutual accommodation and meaningful multilateral security structures.

Underlying this approach is the assumption that China will continue to place a high priority, over the next fifteen to twenty years and possibly beyond, on avoiding the kinds of aggressive military actions that could threaten its overall development goals. As a result, Washington would not need to achieve the level of escalation dominance in high-technology warfare envisioned by the two strategies described above in order to dissuade Beijing from engaging in destabilizing behavior toward nearby Asian powers.

This strategy would focus on a less ambitious goal: to increase Chinese uncertainties about risks and outcomes through an emphasis on a variety of limited military measures and more extensive political interactions. Also implicit in this approach would be the recognition that attempting to secure traditional levels of operational access for power projection against China’s anti-access network would force the alliance to bear unacceptably high risks and costs, both in terms of regional instability that could result from an accelerated arms race and in uncontrolled escalation that could erupt during a crisis.



The operational military core of this strategy would therefore rely less on offensive strike capabilities than the strategies described above, and more on defensive, area-denial architectures, involving systems designed to deflect attacks and mete out punishment at levels at least equal and ideally superior to those of which the PLA is capable. The military doctrine associated with this strategy would focus on successfully surviving initial PLA attacks in relevant domains and then responding with limited attacks on nearby PLA weapons platforms and cybercapabilities. The capabilities associated with this doctrine would include multiple platforms capable of standoff precision strikes against mainly offshore PLA or paramilitary assets.

This approach would entail substantial revisions to the existing U.S. force structure of carrier groups and short-range tactical aircraft supported by forward bases. Instead, the United States would shift to a more dispersed, multilayered forward presence, with capabilities positioned according to their survivability and effectiveness vis-à-vis China's web of anti-access weapons. Stealthier, more survivable capabilities, including a larger contingent of submarines, small and mid-size surface ships, and long-range drones, each of which would be equipped with significant numbers of standoff weapons, would operate within the inner reaches of the first island chain. A smaller number of carrier groups and their air wings would operate at extended range, although they could be surged into the theater in the event that key power projection capabilities, such as large sorties of short-range fighters, were deemed sufficiently necessary to justify the risks of operating in an anti-access environment. The preconditions for this approach would include the forward pre-positioning of resources, prior Japanese and allied assurances of a very high level of U.S. access in a crisis, and a significant reliance on early warning and rapid response.

The foremost articulation of this military approach is the Mutual Denial Strategy (also known as Mutually Denied Battlespace Strategy, or Mutual A2/AD Concept). This approach would rely primarily on U.S. maritime and some air capabilities—especially attack submarines and long-range antiship cruise missiles, long-range air-to-air missiles, and sophisticated decoys—to create an effective A2/AD deterrent against Chinese attempts to threaten U.S. allies, establish sea control over surrounding waters within the first island chain, or seize and hold disputed territory. Rather than targeting China's A2/AD capabilities through the use of either deep-penetrating attacks or more limited offensive actions against air, maritime, and coastal A2/AD assets, this approach would focus on destroying at sea whatever significant offensive air and maritime capabilities Beijing might deploy against Japanese and allied interests in a severe crisis or conflict, as well as China's commercial shipping. In addition, this approach would avoid any attacks on mainland targets, at whatever range inland, and also greatly reduce the reliance on both BMD systems and forward-deployed TACAIR based in Japan, since both types of systems would be regarded as highly vulnerable to Chinese missile attacks.

In the increasingly important realms of space and cyberwarfare, this strategy would place a strong emphasis on engaging China and international partners in the difficult but necessary process of defining norms of behavior, tackling issues of attribution, and establishing “rules of engagement” for responding to attacks. Although the United States would also shore up its defensive and retaliatory capabilities, it would focus primarily on using common interests—for instance, cooperation in addressing nonstate cybercrime—to introduce positive-sum dynamics into these unfamiliar domains.

Under this strategy, the level of operational integration among U.S. military services and with U.S. allies would be somewhat less than under the strategies described above but would still include improved coordination in antisubmarine warfare and ISR. Japan in particular would still confront a growing need to heighten military integration with the United States and provide alternative basing sites (especially for submarines), possibly along its eastern seaboard, to permit the dispersal of alliance forces.

Relative to the strategies described above, scaling back and dispersing U.S. tactical fighters to Guam or other regional sites would most likely result in a smaller footprint for bases in Japan during peacetime. This could potentially defuse some local opposition to expanded basing and access agreements, enabling the dispersal of alliance forces and logistical nodes along Japan’s eastern seaboard that would reduce the impact of enemy missile strikes. In the operational arena, Tokyo would focus its efforts on making the home islands as safe as possible from missile and air attacks while coordinating with Washington those systems designed to detect and track Chinese military assets in the areas surrounding Japan.

This approach would most likely require a high level of domain awareness and ISR integration among the allies, as the United States would place a premium on obtaining early notice of any threat that would require it to bring forces into the theater. The operational requirements of these early warning systems could potentially interfere with the political objectives of U.S. regional strategy, such as reducing frictions over maritime surveillance within China’s EEZ.

In the political arena, this strategy would place a stronger emphasis than the two strategies described above on achieving credible Sino-alliance and regionwide mutual security assurances, especially with regard to those Chinese sovereignty and territorial concerns that play a critical role in sustaining strategic distrust—for example, the Taiwan issue, territorial and resource disputes in the East China and South China Seas, and the military use of EEZs and international waters along China’s coastline. It might also involve broader efforts to create new integrative conceptual frameworks, such as the concept of a Pacific community advocated by analysts such as Henry Kissinger.

Finally, in addition to its increased reliance on confidence-building measures and cooperative security measures, this approach would require a long-term, intra-alliance and

regionwide political and diplomatic transition strategy to provide adequate levels of reassurance to Japan and other Asian nations as the United States moved toward a more limited deterrence and balancing strategy and force structure.

## ASSESSMENT

Relative to the strategic approaches described above (especially the robust forward presence strategy), this overall approach would require less in the way of major, unprecedented increases in the level and function of U.S. military capabilities and missions over the next twenty years and beyond, with the exception of submarines, standoff systems, and integrated ISR. Moreover, if the assumptions about China's preference for avoiding confrontational behavior continue to hold true, this strategy would arguably place the United States and its allies in a better position to sustain genuinely credible deterrence and avert political-military crises over that period of time, especially if both countries manage to attain only mid-capacity levels of development at best and China sustains a high-capacity level of development.<sup>12</sup> Under such conditions, Washington and Japan in particular could rely less on maintaining dominance and offensive operations across domains and more on creating a limited and flexible force that could pose uncertainties for China if it attempted to use its offensive maritime capabilities within or beyond the first island chain. In addition, even if the United States possessed a high level of capacity, this approach would almost certainly not prove as escalatory in a crisis or conflict, nor as provocative in peacetime, as either the ASB concept or the Offshore Control approach. And it would almost certainly cost much less.

In the long term, this approach would arguably be most conducive to establishing stable, cooperative relationships among China, the United States, and Japan, although its impact on the threat perceptions and behavior of other regional actors would be more uncertain. To the extent that this approach would ease Chinese fears of an alliance-led effort to contain or encircle China, it might do less to empower hardline leaders in Beijing advocating a more assertive approach toward Japan and the region. Conversely, Japan and other U.S. partners in the region would be particularly wary of any shifts in the U.S. forward presence that could affect American security guarantees. Perceptions of a deteriorating threat environment could accelerate an inter-Asian arms race that could undermine otherwise positive dynamics within the Sino-alliance relationship or could prompt Beijing to undertake potentially provocative efforts to "test" allied will and resolve.

This strategy would thus present several significant issues of concern for the United States, Japan, and perhaps other Asian nations. It would likely entail a higher level of uncertainty and risk in maintaining deterrence. Under this strategy, the United States could not intervene in the ways in which it has traditionally been accustomed to doing, and it would not attempt to develop the capabilities to disable Chinese C4ISR or missiles

at the outset of a conflict. Moreover, ceding some strategic space to China along its maritime periphery would likely constrain U.S. options in a crisis. That said, it is quite possible that such concessions might prove necessary in any event, even under a high-capability scenario for the United States, given the likely continued development of China's maritime and missile capabilities. Beijing is highly unlikely to accept the past level of U.S. military dominance along its maritime periphery.

For the United States, such a strategy would arguably require paradigm shifts in its defense bureaucracy, doctrine, and technology. Although service parochialism could present an obstacle to such reforms, even sincere efforts to adapt the U.S. Navy and U.S. Air Force to a changed regional order and new U.S. force posture could require painful, extended reassessments of their missions and roles. Innovating new doctrines in light of significant political and military constraints could be another challenge, given that offensively oriented approaches for projecting power and maintaining clear dominance across domains have been refined through an iterative process stretching back to World War II. And in shifting to an untested force structure that could place a higher emphasis on unmanned systems and defenses, this approach would utilize technologies and capabilities that are relatively immature or that have been tested only against weaker adversaries in uncontested environments.

This strategy would assume that greater absolute levels of Chinese capability and increased relative gains vis-à-vis the alliance (compared with the other approaches) would not result in substantial changes in Chinese military thinking, especially threat perceptions and thresholds for using military force to coerce regional actors. Chinese military strategy as currently conceived is largely reactive and defensive, and an allied adoption of this defensive balancing approach might be more amenable to a preservation of that Chinese stance. However, unless effectively countered through careful diplomacy and other means, a possible perception that U.S. power in the region is undergoing a relative decline could embolden nationalists advocating a greater Chinese leadership role in Asia and a more offensive deployment of PLA assets. Such possible shifts in Chinese military doctrine toward a more aggressive regional stance seeking a greater sphere of influence might severely complicate or undermine U.S. efforts to ensure balance through political and diplomatic means, especially during the last years of the time frame examined in this report.

Although this strategy, taken as a whole, could significantly reduce the likelihood of a high-end military engagement between the United States and China, Washington would have to contend with greater operational limits in the event of an actual conflict. Making inland targets "off-limits" in at least the early stages of a conflict (or perhaps throughout a conflict) would create the very real possibility that networks, launchers, and production facilities for theater missiles would continue to threaten the United States and Japan. Standoff weapons would be less effective at hitting mobile or shielded assets, making it unlikely that U.S. strikes could replicate the intensity of sustained, deep-strike campaigns

envisioned in more aggressive operational concepts. However, as indicated above, these types of limitations might exist even if the United States had the resources and will to adopt the first or second strategic approaches outlined above.

In addition, this strategy could greatly aggravate Japanese fears of abandonment, depending on its level of reliance on rear-area deployments. Low-visibility platforms such as submarines or drones would not convey the physical or psychological presence of carriers and more traditional power projection platforms, a change that could shape regional perceptions for the worse if unaccompanied by vigorous diplomacy. Moreover, the shift from power projection and predominance at close quarters to a more defensive U.S. posture could force Japan to assume greater responsibility for air and sea operations in its immediate periphery, a potentially highly challenging task. The establishment of high levels of integrated ISR systems with Washington could also prove too expensive and politically unacceptable in Tokyo.

Furthermore, the U.S.-Japan alliance would likely face challenges in sequencing changes to strategy or force posture in consultation with other Asian states. In reducing its reliance on relatively vulnerable forward bases in Japan, the United States would be confronted with the difficult task of persuading its other regional allies and partners to accede to agreements establishing operational facilities, rotational deployments, and logistical arrangements. Such efforts could entail years of diplomacy and expensive inducements, with resulting agreements subject to shifts in domestic politics.

Finally, this strategy might ultimately depend for its success to a significant degree on the effectiveness of efforts to reduce strategic distrust through the above-outlined mutual security assurances. To be successful, such actions would likely require some degree of mutual accommodation and a significant adjustment on all sides of existing policies toward territorial and other issues. This could prove extremely challenging, albeit perhaps less so than under the two strategic approaches described above; as noted, their common emphasis on maintaining a high level of military advantage would likely reduce incentives to reach such accommodations.



# APPENDIX

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## RECOMMENDATIONS BY OTHER ANALYSTS

### **Undertake a Range of Strategic Assurances Between the United States and China**

Most notable is a recent study by James Steinberg, a former senior Obama administration official, and Michael O'Hanlon, a defense and national security policy analyst at the Brookings Institution, entitled *Strategic Reassurance and Resolve: U.S.-China Relations in the Twenty-First Century* (Princeton, NJ: Princeton University Press, 2014). This report offers a range of concrete recommendations, listed below, that merit serious consideration.<sup>1</sup> Many of them should be discussed between Washington and Beijing in the context of the strategic dialogue outlined above.

Concerning defense budgets, weapons modernization, and military doctrine, Steinberg and O'Hanlon suggest that

- the United States limit the modernization and deployment of long-range strike systems—especially precision conventional strike—including missiles, bombers, and emerging technologies;
- both the United States and China show greater restraint regarding Taiwan by scaling back Chinese missile deployments and other military capabilities directed at Taiwan, to be followed by appropriate adjustments in U.S. arms sales to Taiwan

reflecting the reduced threat (any such prior understanding should involve consultations with Taipei);

- both sides provide advance notification to the other of major tests of advanced weapons; and
- as part of its annual, congressionally mandated report on the Chinese military, the Department of Defense should include an estimate of existing and future levels of accumulated military stocks (in other words, total weapons systems deployed and nondeployed, stockpiles of replacement parts and supplies, logistical infrastructure, and so on) held by both China and the United States.

Regarding possible contingencies involving the “hot spots” identified in this report, several valuable Steinberg/O’Hanlon recommendations worth considering include

- that a U.S.-China dialogue and notional contingency planning for future upheaval and instability in North Korea (including measures for the security of North Korea’s nuclear systems and infrastructure) be undertaken;  

(Beyond such a contingency-oriented interaction, Beijing and Washington should also conduct a dialogue on their preferences for the long-term future of the Korean Peninsula, including the possibility, however unlikely, of the gradual evolution of the North Korean regime into the kind of reform-oriented polity evident in China. This is not a Steinberg/O’Hanlon recommendation.)
- that the United States and South Korea, in discussions with Beijing on long-term Korean scenarios, should underscore a willingness to forgo U.S. forces stationed north of the 38th parallel in return for China’s commitment to respect Seoul’s decisions on hosting foreign forces and security alliances;
- that the United States should develop operational strategies to contain escalation in a Taiwan contingency while retaining the capacity to support Taiwan in resisting coercion (this strategy would not involve early attacks on the Chinese homeland or ports, but rather possible pressure on Chinese sea lines of communication if China blockades Taiwan);
- that the United States, regarding South and East China Sea crisis scenarios, develop not only kinetic but also asymmetrical, nonkinetic responses to possible Chinese aggression (including restrictions on Chinese shipping, economic measures, and enhanced security support to allies);
- that China and the Association of Southeast Asian Nations (ASEAN) conclude a code of conduct, including a formal commitment not to use or threaten force to resolve territorial disputes, and restrictions on the operation of armed combatants in disputed waters; and



- that the United States and China provide advance notice of military and paramilitary exercises and deployments in the South and East China Seas (a variant of such an agreement was recently reached between Beijing and Washington).

On nuclear, space, and cyber issues, Steinberg/O’Hanlon recommend

- that the United States offer greater transparency on missile defenses and commit to not develop a national missile defense capable of neutralizing the Chinese nuclear deterrent;
- that the United States cap the development and deployment of long-range, precision-strike missiles, bombers, and new technologies able to target China’s nuclear and command, control, and communication capabilities;
- that both countries ratify the Comprehensive Nuclear Test Ban Treaty and agree not to develop new warheads while allowing verifiable safety and reliability modifications of existing warheads;
- that both countries agree to ban collisions and explosions that cause debris in space, antisatellite weapons and tests, orbiting weapons for use against Earth, and that they agree to adopt satellite keep-out zones and advance launch notices;
- that both countries agree not to target civilian infrastructure with cybercapabilities, to conduct joint investigations of cyberattacks on civilian targets apparently emanating from each other’s territory, and that China adhere to the Budapest Convention on Cybercrime; and
- that the United States and China create a cyber risk reduction center, a nuclear risk reduction center, and hotlines.

Finally, regarding the sensitive issue of intelligence, surveillance, and reconnaissance activities conducted by both Beijing and Washington, Steinberg/O’Hanlon recommend that the United States and China

- develop an open skies–type arrangement and the regular, mutual observation of exercises;
- use unarmed assets for routine surveillance and agree on limits for close approach to the other side’s surveillance aircraft and vessels;
- create a dedicated military-to-military hotline and “incidents at sea” accord (for all vessels); and
- expand joint peace and humanitarian operations.

## Clarify and Strengthen the U.S. Position on Maritime Disputes

Analysts have also offered detailed proposals for addressing the negative trends and features concerning specific issues. One such set of recommendations regarding maritime disputes in the South China Sea is contained in a recent article by Jeffrey Bader, Kenneth Lieberthal, and Michael McDevitt, “Keeping the South China Sea in Perspective,” Brookings Institution, August 2014. Bader is a retired career Foreign Service officer and former senior National Security Council official on Asian affairs; Lieberthal is a China scholar, Brookings Institution analyst, and former National Security Council official; and McDevitt is a retired rear admiral, former Pentagon Asia official, and current senior fellow at the Center for Naval Analyses.

The following recommendations (directly excerpted from the aforementioned article) are compatible with the analysis presented in this report and should be seriously considered. Many of these recommendations could also apply to the Sino-Japanese dispute in the East China Sea over the Senkaku/Diaoyu Islands.

- U.S. policy should be based on principles, not on choosing sides. The United States should make clear it will not favor one country’s territorial claims over another’s. That is the U.S. position now, and it should remain unaltered.
- The United States should call out all countries, not only China, when they take destabilizing or threatening actions. But U.S. government officials and spokesmen should also lower the temperature of their public commentary overall. Statements, for example, that regularly condemn Chinese actions as “provocative” or “aggressive” while remaining silent on actions by others that alter the status quo serve to lend credibility to Beijing’s assumption that the United States is biased and using the issue to contain China.
- The United States should support adherence to the United Nations Convention on the Law of the Sea (UNCLOS) criteria to delineate all maritime rights as determined by the relevant land features, and support for negotiation of a binding code of conduct among the ASEAN member states and the Chinese government that codifies agreed rules, procedures, and regulations, including the commitment to resolve disputes without the threat or use of force.
- The United States should ratify UNCLOS. While the United States respects and abides by UNCLOS even without ratification (as it is bound to do under international law), its standing on the issues will be greatly enhanced if its isolation from the international community is ended.
- Key to observance of UNCLOS is for the United States and the international community to call on Beijing to clarify its position on the nine-dash line consistent with the relevant provisions of UNCLOS, which China has signed and ratified. The

United States also should press Taiwan to provide a similar clarification. Clarification of the nine-dash line is at the center of Manila's request for arbitration by the International Tribunal for the Law of the Sea.

- Wherever disputes exist over the boundaries of exclusive economic zones (EEZs), the United States should encourage the claimant states to reach either comprehensive or piecemeal agreements on fishing zones that allow fishermen from all the claimants to fish in their traditional waters without interference, but subject to overall limitations to prevent overfishing or threats to endangered species. The United States should also voice its strong support for the principle of joint development projects and demarcated jointly managed zones among the claimants to develop seabed resources in disputed EEZs.
- The United States should encourage the entire range of possible negotiating forums and methods without expressing an insistence on any one unless there is a regional consensus. Bilateral negotiations, as recently undertaken by Indonesia and the Philippines, can be useful. Multilateral negotiations by the states directly concerned will almost certainly be necessary at some stage to reconcile the overlapping claims where these involve more than two parties.
- Finally, the United States should encourage all claimants to freeze if possible, or restrain if not, the construction of military facilities on disputed islands or low-tide elevations. The United States should encourage agreement that all such facilities should be used for traditional coast guard purposes and not for power projection.

As the authors state: "These recommendations are designed to strike a balance among competing interests: to diminish the momentum toward heightened tensions between the United States and China and among claimants in the South China Sea; to protect U.S. interests on maritime issues where they are engaged; to provide confidence to regional actors that the U.S. security presence is enduring; and to avoid putting U.S. credibility at stake in cases where the United States is unlikely to act militarily to demonstrate it. They also aim to protect the broad interests of the United States in its relationship with China from becoming hostage to matters that it cannot control."<sup>2</sup>



# NOTES

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## CHAPTER 1

- 1 Both relative and absolute data are important. The urban labor force is of special importance because productivity levels are typically higher in “modern” urban sectors than in more “traditional” rural areas. Changing absolute and relative economic capabilities due to demographic factors do not in themselves necessarily predispose countries to either conflict or cooperation, but they may affect the calculations of national leaders and decisionmakers in this regard.
- 2 The Gini coefficient indicates the extent to which the income distribution in a society deviates from one that is perfectly equal. Zero would represent a hypothetical scenario in which everyone’s income was the same, and 1.000 would represent the scenario in which all the nation’s income accrued to a single individual. See Yukon Huang, “The Challenge for China’s New Leaders,” *Foreign Affairs*, March 7, 2012, [www.foreignaffairs.com/articles/137316/yukon-huang/the-challenge-for-chinas-new-leaders](http://www.foreignaffairs.com/articles/137316/yukon-huang/the-challenge-for-chinas-new-leaders). The Chinese government has not regularly released figures for the national Gini coefficient since 2000, when it announced that China’s Gini coefficient was 0.412 (though it has released figures on the urban and rural Gini coefficients). A decade later, a 2010 *China Daily* report on comments by a National Development and Reform Commission researcher pegged the Gini coefficient at 0.47. The following year, a National Bureau of Statistics report conceded that the Gini coefficient had risen slightly from 2010 to 2011. For the past decade of data on China’s rural and urban Gini coefficient, see Organization for Economic Cooperation and Development, *China in Focus: Lessons and Challenges* (Paris: Organization for Economic Cooperation and Development, 2012), 19, [www.oecd.org/dataoecd/13/10/50011051.pdf](http://www.oecd.org/dataoecd/13/10/50011051.pdf). See also Chen Jia, “Country’s Wealth Divide Past Warning Level,” *China Daily*, May 5, 2010, [www.chinadaily.com.cn/china/2010-05/12/](http://www.chinadaily.com.cn/china/2010-05/12/)

- content\_9837073.htm, and Fang Xuyan and Lea Yu, "Gov't Refuses to Release Gini Coefficient," *Caixin*, January 18, 2012, <http://english.caixin.com/2012-01-18/100349814.html>. According to the authors of the *Caixin* article, a 2005 report by the China Academy of Social Sciences suggested that inequality had already reached nearly 0.47. One group of Chinese economists estimated that the Gini coefficient had risen from 0.3043 in 1978 to 0.4624 in 2006. See Jiandong Chen, Dai Dai, Ming Pu, Wenxuan Hou, and Qiaobin Feng, "The Trend of the Gini Coefficient of China," BWPI Working Paper 109, University of Manchester Brooks World Poverty Institute, 2010, [www.bwpi.manchester.ac.uk/resources/Working-Papers/bwpi-wp-10910.pdf](http://www.bwpi.manchester.ac.uk/resources/Working-Papers/bwpi-wp-10910.pdf); see p. 3 of this working paper for examples of the wide-ranging differences in estimates of the Gini coefficient, and see column six ("G") of the table on p. 20 for the authors' calculations of China's Gini coefficient from 1978 through 2006. For additional alternative estimates, see C. Cindy Fan, "China's Eleventh Five-Year Plan (2006–2010): From 'Getting Rich First' to 'Common Prosperity,'" *Eurasian Geography and Economics* 47, no. 6 (2006): 713. Fan cites a number of sources for her claim that "China's Gini coefficient increased from 0.33 in 1980 to 0.37 in 1992, 0.45 in 2001, and 0.47 in 2005."
- 3 The Twelfth Five-Year Guideline lays out the following objective: "Gradually raise the proportion of national income distributed to individuals, increase the proportion of wages in the primary distribution of income and reverse the trend of a widening income gap gradually." See "China's Twelfth Five-Year Plan (2011–2015)," English translation prepared by the Delegation of the European Union in China, May 11, 2011, "Chapter 32: Appropriately Adjust Income and Distribution," 37, [http://cbi.typepad.com/china\\_direct/2011/05/chinas-twelfth-five-new-plan-the-full-english-version.html](http://cbi.typepad.com/china_direct/2011/05/chinas-twelfth-five-new-plan-the-full-english-version.html). See also Fan, "China's Eleventh Five-Year Plan."
  - 4 See World Bank and Development Research Center of the State Council, People's Republic of China, *China 2030* (Washington, DC: World Bank and Development Research Center of the State Council, People's Republic of China, 2013), 133–34, [www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf](http://www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf); Huang, "The Challenge for China's New Leaders."
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## CHAPTER 2

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## CHAPTER 3

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- 10 See Information Office of the State Council, People's Republic of China, *China's National Defense in 2000*, October 16, 2000, [www.fas.org/nuke/guide/china/doctrine/cnd0010/china-001016wp2.htm](http://www.fas.org/nuke/guide/china/doctrine/cnd0010/china-001016wp2.htm); *China's National Defense in 2010*; Dennis Blasko, *The Chinese Army Today: Tradition and Transformation for the 21st Century*, 2nd ed. (New York: Routledge, 2012), 256, footnote 9. See also Peng Guangqian and Yao Youzhi, eds., *The Science of Military Strategy* (Beijing: Military Science Publishing House, 2005), 459. This AMS publication describes active defense as "the essential feature of China's military strategy" and "the keystone of the theory of China's strategic guidance."
- 11 "Warfighting and strategic deterrence are two major basic functions of the armed forces ... the objective of strategic deterrence is to contain the outbreak of war or to limit the scope and the escalation of war, with a view to curbing the war and its strategic objective is attained by non-fighting means or fighting a small war." Peng and Yao, eds., *The Science of Military Strategy*, 213.
- 12 Ibid., 224, 470. Dennis Blasko describes this text as probably "China's most important contribution to increased transparency about its military intentions in the past decade," after its publication of its Defense White Papers, its invitations to foreign observers to witness PLA exercises, and its joint training exercises with foreign militaries. Quotations from the AMS text in this report come from the English translation published in 2005.
- 13 Michael D. Swaine and Zhang Tuosheng with Danielle F. S. Cohen, eds., *Managing Sino-American Crises: Case Studies and Analysis* (Washington, DC: Carnegie Endowment for International Peace, 2006). Also see Mark Burles and Abram N. Shulsky, *Patterns in China's Use of Force: Evidence From History and Doctrinal Writings* (Santa Monica, CA: RAND, 2000); Shu Guang Zhang, *Deterrence and Strategic Culture: Chinese-American Confrontations, 1949–1958* (Ithaca, NY: Cornell University Press, 1993), 279–80; and Allen Whiting, *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor, MI: University of Michigan Press, 1975).
- 14 Peng and Yao, eds., *The Science of Military Strategy*, 216–17. See also Blasko, *The Chinese Army Today*, 121–24; Dennis J. Blasko, "Misreading Chinese Military Strategy and Intentions," unpublished manuscript; Dennis J. Blasko, "Military Parades Demonstrate Chinese Concept of Deterrence," *China Brief* 9, no. 8 (April 16, 2009).
- 15 As China's 2010 defense white paper asserts, "China unswervingly maintains its fine cultural traditions and its belief in valuing peace above all else, advocating the settlement of disputes through peaceful means, prudence on the issue of war, and the strategy of 'attacking only after being attacked.'" *China's National Defense in 2010*.
- 16 See Blasko, *The Chinese Army Today*, 120.

- 17 See OSD, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2011* (Washington, DC: U.S. Government Printing Office, 2010), 25.
- 18 Michael P. Flaherty, "Red Wings Ascendant: The Chinese Air Force Contribution to Antiaccess," *Joint Force Quarterly* 60, no. 1 (2011): 95–101.
- 19 Peng and Yao, eds., *The Science of Military Strategy*, 460–61.
- 20 Ibid., 461.
- 21 We are indebted to Dennis Blasko for these observations. The "strategic frontier" encompasses the full range of competitive areas or boundaries implied by the notion of comprehensive national strength, including land, maritime, and outer space frontiers, as well as more abstract strategic realms related to China's economic and technological development.  
  
For an article pointing to ASCEL as an analogue to A2/AD strategy, see Anton Lee Wishik II, "An Anti-Access Approximation: The PLA's Active Strategic Counterattacks on Exterior Lines," *China Security* 19 (2011): 37–48, [www.chinasecurity.us/images/stories/AntonWishik.pdf](http://www.chinasecurity.us/images/stories/AntonWishik.pdf). While this article drew some attention as substantiating evidence for A2/AD within PLA doctrine when it was published in 2011, the sources drawn upon have been extant since 2001, and the analysis takes ASCEL somewhat out of the context of active defense, of which it is an integral part. It remains a rough approximation for anti-access/area-denial, which is a Western way of describing a host of emerging Chinese capabilities.
- 22 Wang Jisi and Xu Hui, "Pattern of Sino-American Crises: A Chinese Perspective," chapter 3 in Swaine, Tuosheng, and Cohen, eds., *Managing Sino-American Crises: Case Studies and Analysis*. This set of guidelines is reflected by Mao's statement: "Despise the enemy strategically and take it seriously tactically." Wang and Hui point out that Mao used this strategy vis-à-vis the United States during the wars in Korea and Vietnam, and the first two Taiwan Straits crises in the 1950s. That is, in general, he issued strong rhetoric but took cautious actions.
- 23 Alastair Iain Johnston, "China's Militarized Interstate Dispute Behavior 1949–1992: A First Cut at the Data," *China Quarterly* 153 (March 1998). Johnston concludes that, during the Cold War, China was more prone to disputes than most other major powers except the United States and tended to resort to higher levels of violence in disputes. The largest portion of Chinese dispute behavior involved territorial issues and the consolidation of long-standing territorial claims. He speculates that, if China does not face challenges to its territorial integrity and has sufficient international status, it may actually be less likely to become involved in disputes. However, once it becomes involved in a dispute, China will tend to escalate to a relatively high level of force.
- 24 Some analysts have observed that the strong need to show resolve has led Chinese leaders in the past to discount the military and economic costs involved in employing force, unless such costs clearly threaten regime stability. For example, see Burles and Shulsky, *Patterns in China's Use of Force*.
- 25 Allen Whiting, *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor, MI: University of Michigan Press, 1975), 205, discusses the Chinese use of military force to deter and prepare for possible action. Examples include Chinese actions prior to the Korean War intervention, regarding India in 1962, and in Vietnam in 1965–1968.
- 26 Whiting, *The Chinese Calculus of Deterrence*; Burles and Shulsky, *Patterns in China's Use of Force*, 31, 41–42; Johnston, "China's Militarized Interstate Dispute Behavior 1949–1992," 19–20. Shulsky states that in crises of the 1950s–1960s, China at times sought to establish a *fait accompli* through quick and decisive action, and to force the adversary to risk significant



- escalation to reinstate the status quo ante. However, Johnston suggests that China is not more likely to undertake such risky international behavior during times of international crisis.
- 27 Burles and Shulsky, *Patterns in China's Use of Force*, 41. The authors argue that China's past use of force against a stronger power or the client of a stronger power suggests several tactics: "[First,] use of surprise to create psychological shock; [second,] inflicting casualties to create political pressure on the opponent; [third,] creation of tension to divide the opposing alliance or to create political problems for an opponent; [fourth,] creation of a fait accompli, presenting the opponent with a choice between acquiescence and escalation."
  - 28 This section draws on Swaine et al., *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*.
  - 29 Adam P. Liff, "Watch This Space: 'Collective Self-Defense,' Constitutional Reinterpretation, and Japan's Security Policy," *PacNet* no. 48, Pacific Forum, Center for Strategic and International Studies, June 26, 2014; Martin Fackler and David E. Sanger, "Japan Announces a Military Shift to Thwart China," *New York Times*, July 1, 2014.
  - 30 Swaine et al., *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*, 199.
  - 31 Fiona Hill and Bobo Lo, "Putin's Pivot: Why Russia Is Looking East," *Foreign Affairs*, July 31, 2013.
  - 32 "Opinion of Russia 2012," Pew Research Global Attitudes Project, [www.pewglobal.org/database/indicator/27/survey/16/response/Unfavorable](http://www.pewglobal.org/database/indicator/27/survey/16/response/Unfavorable).
  - 33 "Overview: Korea, South," U.S. Energy Information Administration, April 1, 2014, [www.eia.gov/countries/cab.cfm?fips=KS](http://www.eia.gov/countries/cab.cfm?fips=KS).
  - 34 John K. Yi, "Russia-South Korea Relations: Much Ado About Something," *International Policy Digest*, October 26, 2011, [www.internationalpolicydigest.org/2011/10/26/russia-south-korea-relations-much-ado-about-something](http://www.internationalpolicydigest.org/2011/10/26/russia-south-korea-relations-much-ado-about-something).
  - 35 Kari Lipschutz, "Global Insider: Russia-South Korea Relations," *World Politics Review*, July 22, 2010, [www.worldpoliticsreview.com/trend-lines/6099/global-insider-russia-south-korea-relations](http://www.worldpoliticsreview.com/trend-lines/6099/global-insider-russia-south-korea-relations).
  - 36 Roger McDermott, "Russia's Draft Military Doctrine: Clues, Drivers and Moscow's Challenge to Washington," *Eurasia Daily Monitor*, Jamestown Foundation, October 28, 2014.
  - 37 Pavel Felgenhauer, "Preparing for War Against the U.S. on All Fronts—A Net Assessment of Russia's Defense and Foreign Policy Since the Start of 2014," *Eurasia Daily Monitor*, Jamestown Foundation, October 16, 2014.
  - 38 "Opening Statement of Vice Admiral Frank C. Pandolfe, USN, Director for Strategic Plans and Policy, The Joint Staff, Before the House Armed Services Committee," House Armed Services Committee, April 8, 2014.
  - 39 "Energy Policies Beyond IEA Countries—Russia 2014," International Energy Agency, June 16, 2014, [www.iea.org/countries/non-membercountries/russianfederation](http://www.iea.org/countries/non-membercountries/russianfederation).
  - 40 "Russia Economic Report 32," World Bank, September 24, 2014, [www.worldbank.org/en/country/russia/publication/russian-economic-report-32](http://www.worldbank.org/en/country/russia/publication/russian-economic-report-32).
  - 41 Michael D. Swaine and Roy D. Kamphausen, "Military Modernization in Taiwan," in *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, ed. Ashley J. Tellis and Michael Wills (Seattle: National Bureau of Asian Research, 2005).
  - 42 J. Michael Cole, "A New Definition of Military Success," *Taipei Times*, February 22, 2013.

- 43 Srikanth Kondapalli, "Asian Security: India's Perspective," *Crux of Asia: China, India, and the Emerging Global Order*, ed. Ashley J. Tellis and Sean Mirski (Washington, DC: Carnegie Endowment for International Peace, 2013).
- 44 Teresita C. Shaffer, "Partnering With India: Regional Power, Global Hopes," in Tellis et al., eds., *Strategic Asia 2008–09: Challenges and Choices*.
- 45 C. Raja Mohan, "Poised for Power: The Domestic Roots of India's Slow Rise," in *Strategic Asia 2007–08: Domestic Political Change and Grand Strategy*, ed. Ashley J. Tellis and Michael Wills (Seattle: National Bureau of Asian Research, 2007), 201.
- 46 "India and the Future Global Order," Norwegian Ministry of Defense, November 2009.
- 47 Daniel Twining, "India's New Leadership and East Asia—I," *Asan Forum*, May 23, 2014.
- 48 Ibid.
- 49 Nilanthi Samaranyake, "The Indian Ocean: A Great-Power Danger Zone?" *National Interest*, May 30, 2014.
- 50 "James Holmes, "Don't Worry About China's String of Pearls ... Yet," *Diplomat*, July 9, 2013.
- 51 Vijay Sakhuja, "Security in the Maritime Commons," and Ashley J. Tellis and Sean Mirski, "Introduction," in Tellis and Mirski, eds., *Crux of Asia: China, India, and the Emerging Global Order*.
- 52 Tellis and Mirski, eds., *Crux of Asia: China, India, and the Emerging Global Order*.
- 53 Andrew Shearer, "Southeast Asia and Australia: Case Studies in Responding to China's Military Power," in *Strategic Asia 2012–13: China's Military Challenge*, ed. Ashley J. Tellis and Travis Tanner (Seattle: National Bureau of Asian Research, 2012).
- 54 Jane Perlez, "Q. and A.: Lyle Goldstein on China and the Vietnamese Military," *New York Times*, July 5, 2014.
- 55 Brian Eyler, "The Coming Downturn of China-Vietnam Trade Relations," *East by Southeast* (blog), July 9, 2014.
- 56 Prashanth Parameswaran, "Indonesia Avoids Open Territorial Dispute, Despite Concerns," *China Brief* 14, no. 13, July 3, 2014.
- 57 The nine-dashed line is used by the government of the People's Republic of China (PRC) to demarcate its territorial and maritime claims in the South China Sea. The line was initially adopted by the government of the Republic of China and first appeared on maps in 1947.
- 58 Nick Bisley, "Australia and Asia's Trilateral Dilemmas: Between Beijing and Washington?" *Asian Survey* 54, no. 2 (March/April 2014): 297–318.
- 59 Baogang He, "Collaborative and Conflictive Trilateralism: Perspectives From Australia, China, and America," *Asian Survey* 54, no. 2 (March/April 2014): 247–72; Derek McDougall, "Australian Strategies in Response to China's Rise: The Relevance of the United States," *Asian Survey* 54, no. 2 (March/April 2014): 319–42.
- 60 Concerning a negative dynamic involving Chinese resistance to U.S. air and naval operations along its coast, in the past, China focused on close-in U.S. surveillance because People's Liberation Army Navy (PLAN) ships did not frequently conduct operations far from China's shores. As the scope and tempo of Chinese naval operations increases in the near seas, its ships will quite likely be closely monitored by the U.S. Navy (USN) and the JMSDF, among others. As the PLAN does not have sustained high-seas experience, the potential for China to take

action to oppose such surveillance could grow. China may either seek to create a buffer, perhaps 200 nautical miles in distance, from its coasts where it would seek to raise the risk of foreign military activities. It might also adopt a more hostile attitude when other navies observe its military exercises in the South or East China Seas. China will be fielding new naval platforms in the coming decades and the USN will want to gather as much information as possible on these platforms and thus increase surveillance activities. As the PLAN submarine fleet modernizes, the USN will also want to gather sonar signatures from Chinese vessels. As a result, it is likely that U.S. surveillance could increase both in areas close to China and within disputed waters. (U.S. presence could also increase as part of the “rebalancing” or any other effort to reassure states in the region.) As USN and other regional naval surveillance increases, China might view such acts as hostile. To deter further surveillance, or simply to underscore the risks for the USN and others in continuing with such surveillance, China would likely start by issuing warnings, noting that foreign naval activities in waters it claims are illegal. The next step would be some carefully staged incident, such as the 2009 *Impeccable* incident near Hainan Island. “Shouldering” or other forms of dangerous maneuvers on the high seas might be attempted. All of China’s responses would likely be couched in terms of international law and its view of the rights of coastal states in the EEZ. Given the importance of freedom of navigation (FON) for the USN, it would likely respond vigorously to any Chinese challenges. Such responses would not only include diplomatic statements, but also “FON operations” in waters where China seeks to limit military activities or place restrictions on FON. Under such circumstances, the situation could escalate if—unlike in the past—China continues with efforts to harass USN or noncommissioned USN ships in waters that China claims. For example, multiple shouldering incidents might occur in a short period of time. The situation would thus be primed for an accident or collision to occur, including one in which a ship from one side is severely damaged or sunk. A related trigger would be Chinese deployment of nuclear-powered attack submarine (SSNs) on deterrent patrols. As these ships will have to traverse the South and East China Seas to enter the Western Pacific, the USN will likely monitor them closely, either with surface vessels, submarines, or both. China may view this activity as even more hostile than close-in reconnaissance and seek to protect these SSNs as they attempt to conduct their patrols. Even if an accident or collision were resolved quickly, both sides could decide to adopt much more forward postures designed to deter the other from future challenges; in other words, postures that would further increase the risk of another collision or incident. In such a charged atmosphere, it is possible that armed force could be used if a ship from one side believed it was facing imminent danger. This could begin with the sending of signals, such as activating a fire-control radar or even firing a warning shot. Ultimately, it is difficult to predict how a crisis would evolve, but the potential for escalation is clear. Although unlikely over at least the short to medium term, it is also possible that as its maritime reach and activism in areas near other coastal states increase, Beijing could become less adamant in opposing the activities of foreign navies along its own shores. For a further discussion of the possible future factors driving either conflict or cooperation regarding East Asian maritime disputes, refer to M. Taylor Fravel’s work.

- 61 At the same time, it is possible that greater Chinese military capabilities could give Beijing a greater sense of confidence that its interests will be taken into account in maritime disputes, thus leading to a greater willingness to compromise or moderate its activities for the sake of overall regional stability.
- 62 In the financial realm, the China Development Bank (CDB) is already several multiples larger than the World Bank and even leads the World Bank in foreign currency lending (U.S. dollars, euros, and yen). If the Asian Infrastructure Investment Bank and CDB expand with dominant

Chinese support, in several decades they could conceivably surpass the influence of the World Bank and International Monetary Fund.

- 63 The deterioration or recovery of the U.S. economy constitutes a critical factor in how inter-economy relations develop in Asia and elsewhere. U.S. prospects depend in large part on whether the United States can shake off the failures of its political process for purposes of economic recovery and avoid failures in financial-sector regulatory capabilities and the doctrines from which those failures resulted. Provided that the United States can revive its domestic demand, long-term economic success will depend on the degree of U.S. investment in its own labor force. The U.S. labor force needs to include the large share of poor in its population in superior educational systems so that workers can obtain jobs that allow them to produce at higher levels of productivity and income in a higher-tech economy. This is a key factor affecting the U.S. ability to stay ahead of China in production and sale of products with which China's own increasing labor productivity could not easily compete.
- 64 The response of regional states to this process will depend in part on the degree to which Chinese initiatives are better oriented to the successful development of their respective economies. It is arguable that the U.S.-sponsored conceptual approach to development economics based on free trade and the free international flow of short-term finance, while beneficial to the United States, occurs at the expense of successful development in partner countries. According to some economists, one reason for China's economic success has been its refusal to fully participate in this "open" economic strategy.
- 65 In a less likely, but still possible, scenario, oil markets become better supplied due to more supplies and slower demand growth. This would lead to a long-term price path closer to \$80 to \$90 per barrel. Rapid advancement in transport technology, batteries, hybrids, and energy efficiency would push in this direction. Efforts to reduce greenhouse gas emissions and slow climate change would also reinforce a major slowing in global oil demand. This kind of outcome would significantly reduce the salience of energy security as a driver toward competitive behavior, even for Beijing, and energy as an issue in U.S.-China relations.
- 66 That said, Chinese analysts do often express concern over the potential ability of the U.S. Navy to cut off its maritime oil supplies in the event of a confrontation, for example over Taiwan. The PLAN also apparently sees safeguarding China's maritime energy supply lines as one part of its future mission, but most outside analysts feel this is more likely part of its competitive lobbying for larger budgets.

## CHAPTER 4

- 1 Michael D. Swaine et al., *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment* (Washington, DC: Carnegie Endowment for International Peace, 2013).
- 2 For more detail on Chinese public opinion toward Japan and the ways in which it might influence Chinese foreign policy, see *ibid.*, chapter 2.
- 3 This section and the two that follow are adapted from Swaine et al., *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*.
- 4 "Asahi Poll: 52% Support Immediate Summits With China, S. Korea," *Asahi Shimbun*, February 18, 2014, [http://ajw.asahi.com/article/behind\\_news/politics/AJ201402180059](http://ajw.asahi.com/article/behind_news/politics/AJ201402180059).

- 5 *Asahi Shimbun* Special Public Opinion Poll, April 7, 2014. <http://mansfieldfdn.org/program/research-education-and-communication/asian-opinion-poll-database/listofpolls/2014-polls/asahi-shimbun-special-public-opinion-poll-040714>.
- 6 Jiyeon Kim, Karl Friedhoff, Chungku Kang, and Euicheol Lee, "Challenges and Opportunities for Korea-Japan Relations in 2014," *Asan Report*, Asan Institute for Policy Studies, April 24, 2014.
- 7 "Beyond Competition: Anomalies in How States React to a Rising China," *Asia Report* no. 27, Sigur Center for Asian Studies, George Washington University, May 2014.
- 8 "India and the Future Global Order," Norwegian Ministry of Defense, November 2009.
- 9 Jeff Smith, *Cold Peace: China-India Rivalry in the Twenty-First Century* (Lanham, MD: Lexington Books, 2013).
- 10 Zachary Keck, "India Rebukes Beijing on South China Sea," *Diplomat*, October 12, 2013.
- 11 Daniel Twining, "India's New Leadership and East Asia—I," *Asan Forum*, May 23, 2014.
- 12 Daniel Twining, "The Indo-Japanese Strategic Partnership: Asia's Response to China's Rise," *Asan Forum*, December 6, 2013.
- 13 John Garver, "Rejoinder to Daniel Twining," *Asan Forum*, May 23, 2014. In a more extreme and less likely variation of this path, New Delhi could prioritize efforts to foster a peaceful environment in the Asia-Pacific, including measures to assuage Chinese fears of containment and dampen potential security competition. This would entail political and economic conciliatory measures, such as border agreements, joint development projects in South and Southeast Asia, or accommodation on issues such as Kashmir, Tibet, or the South China Sea. Such relative regional stability would support India's efforts to build its own comprehensive national power. Arun Sahgal, "China's Military Modernization: Responses from India," in *Strategic Asia 2012-13: China's Military Challenge*, ed. Ashley J. Tellis and Travis Tanner (Seattle: National Bureau of Asian Research, 2012); Harsh V. Pant, "India Comes to Terms With a Rising China," in *Strategic Asia 2011-12: Asia Responds to Its Rising Powers China and India*, ed. Ashley J. Tellis, Travis Tanner, and Jessica Keough (Seattle: National Bureau of Asian Research, 2011).
- 14 Michael D. Swaine, "Chinese Views and Commentary on Periphery Diplomacy," *China Leadership Monitor* (Summer 2014).
- 15 Jacob Koch-Weser and Craig Murray, "The China-Russia Gas Deal: Background and Implications for the Broader Relationship," U.S.-China Economic and Security Review Commission, June 9, 2014.
- 16 Jeffrey Mankoff, "U.S. Perspective: the Ukraine Crisis and the Future of Sino-Russian Relations," *Asan Forum*, July 25, 2014.
- 17 Paul Schwartz, "Evolution of Sino-Russian Defense Cooperation Since the Cold War," *Asan Forum*, June 13, 2014.
- 18 Andrew Kuchins, "Russia's China Challenge in a Changing Asia: An American Perspective," *Asan Forum*, November 22, 2013.
- 19 Sergey Radchenko, "The Legacy of the 1980s for Russia's Relations in Northeast Asia in the 2010s," *Asan Forum*, July 25, 2014, [www.theasanforum.org/the-legacy-of-the-1980s-for-russias-relations-in-northeast-asia-in-the-2010s](http://www.theasanforum.org/the-legacy-of-the-1980s-for-russias-relations-in-northeast-asia-in-the-2010s).

- 20 For a complete definition of the different tracks of diplomacy, see “Tracks of Diplomacy,” in *Glossary of Terms for Conflict Management and Peacebuilding*, United States Institute of Peace, <http://glossary.usip.org/resource/tracks-diplomacy>.
- 21 For example, the combination of an ongoing, expanding security role for Japan, alongside continued government statements and official actions that undercut or appear to reverse Tokyo’s past apologies for Japanese wartime acts of aggression and brutality against South Korea and other Asian states, could deepen resistance in Seoul to any type of meaningful security coordination with Japan.

## CHAPTER 5

- 1 In particular, differences will likely persist between China and the United States (as well as other countries such as India) over the definition of nonhostile foreign military activities in a state’s EEZ or the reporting requirements for an air defense identification zone, and acceptable actions by coastal states and intruding nations; the basis for territorial claims on historical or legal grounds; and the lack of a clear Chinese definition of its nine-dash line and, hence, of maritime claims in the South China Sea.
- 2 This type of environment would roughly accord with the Eroding Balance scenario for Northeast Asia discussed in the 2013 Carnegie Net Assessment report, characterized by significant absolute Chinese gains in virtually all military domains, from naval to cyber. See Michael D. Swaine et al., *China’s Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment* (Washington, DC: Carnegie Endowment for International Peace, 2013).
- 3 Ibid.
- 4 Ibid.
- 5 Of course, while a democratic revolution in China might significantly reduce the sources of distrust in the Sino-U.S. relationship, it could also unleash highly destabilizing forces, such as radical ultranationalism, and increase domestic instability, at least over the medium term.
- 6 In the important maritime realm, a combination of growing demand for maritime resources (most likely declining fish stocks but also offshore hydrocarbons exploration by state or private companies) and enhanced maritime capabilities would increase commercial activity in contested waters and create stronger incentives for states to assert jurisdiction, and hence create much greater opportunities for incidents and escalation involving law enforcement and eventually naval forces. Increased resource activities such as within the 12-nautical-mile territorial waters limit of contested land features would mix jurisdictional disputes with sovereignty claims, increasing the escalatory potential of such events due to the zero-sum nature of territorial disputes.

## CHAPTER 6

- 1 See Richard A. Bitzinger, “AirSea Battle: Old Wine in New Bottles?” *RSIS Commentaries*, August 23, 2012. Bitzinger states that while ASB is short on specifics, “it is based on the idea of carrying out massive counterstrikes against an enemy’s home territory. Cruise missiles, launched from submarines or ships, along with smart bombs dropped from stealth aircraft, would blind and incapacitate the adversary by taking out its military surveillance and communications systems. Other attacks would target the enemy’s missile bases, airfields, and naval facilities.”



- 2 T. X. Hammes, "Offshore Control: A Proposed Strategy for an Unlikely Conflict," Center for Strategic Research, Institute for National Strategic Studies, National Defense University, June 2012. Hammes notes that ASB is "the antithesis of strategy. While ASB is short on specifics, it is based on the idea of carrying out massive counterstrikes against an enemy's home territory." Hammes presents Offshore Control as a less escalatory alternative: "By reducing reliance on space and cyber domains, Offshore Control is designed to slow a crisis down and reduce escalatory pressure in a crisis and potential ensuing conflict. . . . If escalation is required, deliberate and transparent escalation is better than a sudden surprise that could be misinterpreted. . . . Offshore Control seeks termination of the conflict on U.S. terms through China's economic exhaustion without damage to mainland China's infrastructure or the rapid escalation of the conflict."
- 3 As Hammes writes, strategically, Offshore Control seeks to use "currently available but limited means and restricted ways to enforce a distant blockade on China. It establishes a set of concentric rings that *denies* China the use of the sea inside the first island chain, *defends* the sea and airspace of the first island chain, and *dominates* the air and maritime space outside the island chain. No operations would penetrate Chinese airspace. Prohibiting penetration is intended to reduce the possibility of nuclear escalation and to make war termination easier." Hammes, "Offshore Control," 4.
- 4 Gabriel B. Collins and William S. Murray, "No Oil for the Lamps of China?" *Naval War College Review* 62, no. 2 (Spring 2008): 79–95.
- 5 As discussed above, the United States would confront a fiscal dilemma in attempting to simultaneously reduce the overall deficit, rein in entitlement costs, and sustain levels of defense spending required to realize ambitious doctrines, capabilities, and force structures. Managing the long-term deficit without resorting to sequestration would be particularly difficult, as abandoning several hundred billion dollars in deficit reduction could inflate the ratio of debt to gross domestic product and possibly raise borrowing costs.
- 6 In addition to the technical obstacles involved in developing a highly integrated air-sea operational system, an effective ASB concept would likely require painful revisions in the doctrinal assumptions and preferred missions of both the air force and navy. For instance, the U.S. Navy would have to contend with the possibility that its carriers might play a secondary role at the outset of a conflict, or at least until long-range bombers or standoff attacks had disabled the networks underpinning China's antiship ballistic missiles. And the U.S. Air Force would likely need to accept a greatly increased role for unmanned, long-range stealth aircraft, including attack drones, and a relatively diminished role for its traditional short-range tactical fighters.
- 7 Raoul Heinrichs, "America's Dangerous Battle Plan," *Diplomat*, August 17, 2011, <http://thediplomat.com/2011/08/17/america%E2%80%99s-dangerous-battle-plan>.
- 8 Collins and Murray, "No Oil for the Lamps of China?"
- 9 Ibid.
- 10 This scenario would see select counter-A2/AD capabilities grafted onto a more technologically advanced version of the extant U.S. force structure, mitigating some of the current U.S. vulnerabilities while reproducing others. The force structure under this scenario would likely include a reliance on standoff, rather than long-range, deep-strike capabilities; carrier fleets serving familiar doctrinal roles, such as bringing short-range tactical aircraft into the theater or serving as "geopolitical chess pieces" to convey U.S. presence; a central role for short-range tactical aircraft that would be highly dependent on fixed forward bases vulnerable to missile attacks; considerable, albeit lower, levels of U.S. and Japanese integration in areas such as base

defense and C4ISR; significant increases in anti-mine and ASW capabilities and an increased reliance on submarines as ASW and cruise missile platforms; the maintenance of superior U.S. offensive cyberabilities that remain highly dependent upon networks and infrastructure whose security would not be assured in a conflict; and the maintenance of a broad-based, persistent surveillance capability through satellites in geosynchronous orbit, beyond the range of most antisatellite systems. Given its continued, heavy reliance on forward basing, this approach would also require a considerable strengthening of both active and passive defenses, to preserve U.S. sanctuary areas essential for the basing and operation of U.S. air power systems. In terms of active defense, this approach would require significant investments to increase the number of Patriot Battalions, Aegis ships, SM-3 missiles, and ABM systems in Japan and surrounding areas. Past and ongoing programs might also receive increased funding and focus, such as the Terminal High Altitude Area Defense system to shoot down ballistic missiles in their terminal phases, and the Medium Extended Air Defense System intended to update Patriot air defense systems. In terms of passive defense, a number of measures might be taken. Passive defense at sea would include radar and emissions control, use of decoys and deception emitters, development and deployment of obscurants, and adoption of operational patterns that China may find hard to predict. Such efforts could reduce the likely effectiveness of antiship ballistic missile targeting. Passive defense with relation to land bases would include runway hardening, hardened aircraft storage shelters, rapid-runway-repair kits, protection for fuel storage and logistical supply chains, and ways to protect vulnerable big-wing aircraft. See Marshall Hoyler, "China's 'Antiaccess' Ballistic Missiles and U.S. Active Defense," *Naval War College Review* 63, no. 4 (Autumn 2010): 84–104.

- 11 Ibid.
- 12 Even if China's growth rate slows to below currently projected 7 percent growth, its ability to sustain robust military modernization and expansion will still be substantial.

## APPENDIX

- 1 A detailed justification for each recommendation is provided by the authors.
- 2 These recommendations are adapted from Jeffrey Bader, Kenneth Lieberthal, and Michael McDevitt, *Keeping the South China Sea in Perspective* (Washington, DC: Brookings Institution, August 2014), [www.brookings.edu/~media/Research/Files/Papers/2014/08/south%20china%20sea%20perspective%20bader%20lieberthal%20mcdevitt/south%20china%20sea%20perspective%20bader%20lieberthal%20mcdevitt.pdf](http://www.brookings.edu/~media/Research/Files/Papers/2014/08/south%20china%20sea%20perspective%20bader%20lieberthal%20mcdevitt/south%20china%20sea%20perspective%20bader%20lieberthal%20mcdevitt.pdf).



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